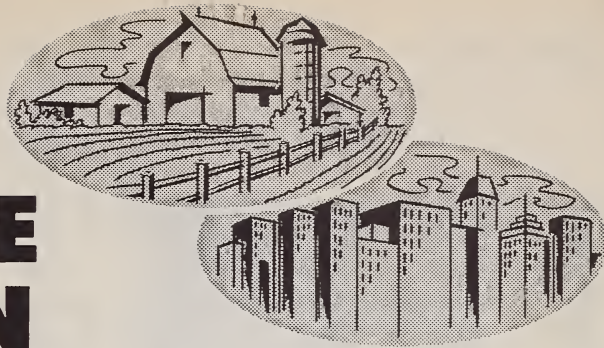


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DEMAND AND PRICE SITUATION



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IN THIS ISSUE ~~CURRENT SERIAL RECORDS~~

● Domestic demands for food and fiber are expected to increase another one and one-half percent in 1963.

● Foreign demands for U. S. farm products indicate exports in fiscal 1962-63 will about equal the levels of a year earlier, with increased exports of food fats and oils and decreased exports of wheat and feed grains.

● Realized net farm income in 1963, as in 1962, will about equal the \$12.8 billion level of last year. Gross income continues to rise, but the increases continue to be about offset by rising costs.

● Farm product prices are running about 1 percent higher this year than last. In early 1963, crop prices will be around this year's level, but livestock prices may be down slightly.

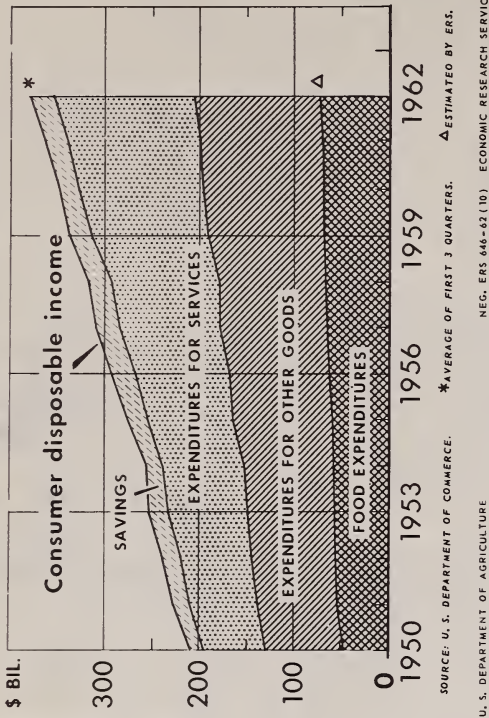
● Farm output this year is about the same, overall, as in the past 2 years. Meat and dairy production is running higher and grain production lower. Production of livestock products will rise further in 1963, and carryover stocks of grain likely will be reduced.

● The trend toward higher income and output per farm will continue in 1963 as farm numbers and farm population continue to decrease. The acreage, capital investment, and volume of business per farm continue to increase as farmers become increasingly efficient in meeting domestic and export demands for food and fiber.

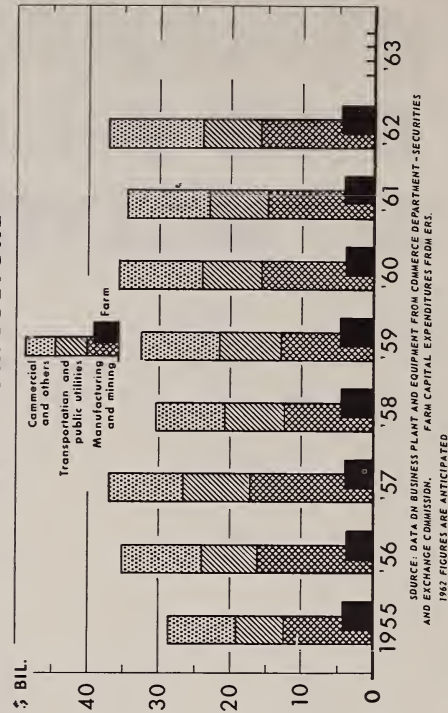
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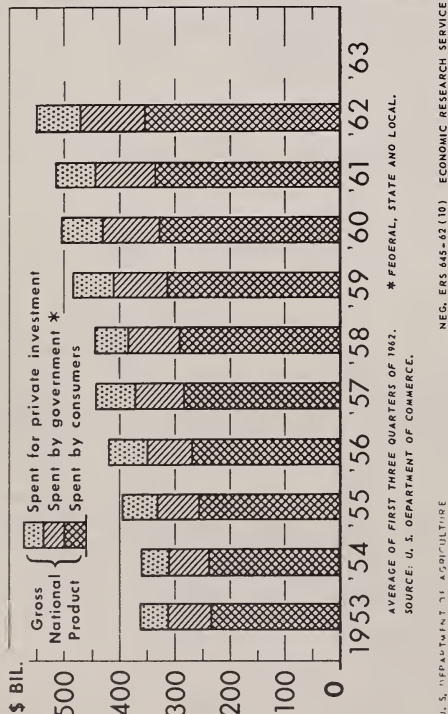
INCOME AND EXPENDITURES



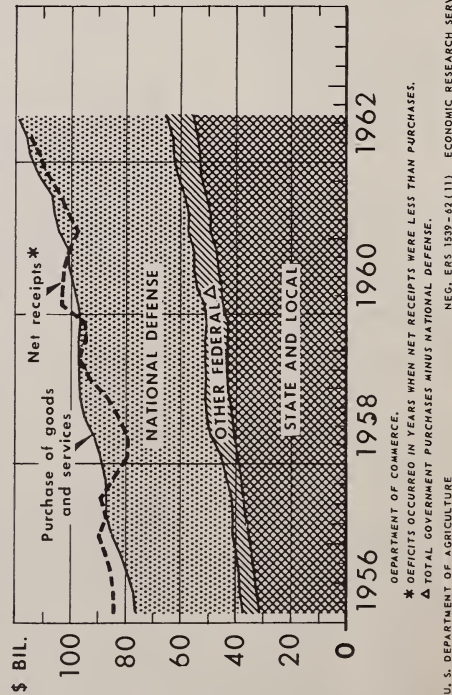
CAPITAL EXPENDITURES BY BUSINESS AND AGRICULTURE



SOURCES OF DEMAND



GOVERNMENT PURCHASES AND NET RECEIPTS, QUARTERLY



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T H E D E M A N D A N D P R I C E S I T U A T I O N
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Approved by the Outlook and Situation Board, November 6, 1962

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AGRICULTURAL SITUATION AND
OUTLOOK FOR 1963

The outlook for 1963 points to another year of relatively small changes in farm product prices, output, and marketings. Realized net income of farm operators also is expected to continue around the improved level of 1961 and 1962. The farm population and the number of farms will continue to decline in 1963. Prospects for only a modest increase in economic activity next year may limit off-farm employment opportunities for farm people. Per capita income of farm people from all sources, and net farm income per farm, at record highs this year, will rise further in 1963. Even so, per capita income of the farm population from all sources is expected to remain around 40 percent below incomes of the nonfarm population.

The above appraisal for 1963 was prepared under the assumption that there would be no substantial change in international tensions.

Both prices received by farmers and cash receipts from marketings this year are running around 1 percent above 1961. Small changes again are indicated for 1963. The volume of farm marketings is expected to total larger than this year, due mostly to larger marketings of livestock products. This, in turn, points to the possibility of some decline in average livestock prices and to a slightly lower average level of farm product prices next year. Little change in cash receipts from marketings and prospective larger Government payments in 1963 point to a further small gain in gross farm income. But the increase may be largely offset by rising farm production expenditures. Realized net income of farm operators in 1963 is expected to total about the same as in 1961 and 1962.

Consumer incomes after taxes are expected to continue to rise some in 1963, but considerably less than the gain of 5 percent from 1961 to 1962. Some further increase is expected in consumer expenditures for food and other farm products in 1963 with domestic use of farm products up again about in line with growth in the population. Foreign markets are also expected to take near-record quantities of agricultural commodities next year. The slackening in the rate of economic growth in major importing countries and Common Market trade restrictions may limit U. S. exports of some commodities. Grain exports in 1962-63 are expected to total less than last year due primarily to improved supplies abroad. A substantial further increase in exports is anticipated for soybeans and food fats and oils. Continued large shipments under export programs will help to maintain total agricultural exports.

Continued expansion in markets for farm products and reduced production of grains in 1961 and 1962 have resulted in a substantial cut in carryover stocks of feed grains and some reduction in the carryover of wheat.

The outlook for agriculture in 1963 will be affected by 1962 domestic and export programs as well as the new 1963 programs for wheat and feed grains. Both wheat and feed grain programs for 1963 involve payments-in-kind for price support purposes. Under the Feed Grain Program, 18 cents per bushel of the support price for corn will be made available through payments-in-kind. The level of support for wheat producers who participate in the voluntary diversion program will be \$2 per bushel, the same as in 1962, of which 18 cents will be paid in kind. Wheat producers who do not come into the special program but comply with their acreage allotment will be eligible for loans at the national average of \$1.82 per bushel. In addition, farmers would receive payments for voluntary diversions of land to conservation uses.

Current Agricultural Situation

In both 1961 and 1962, realized net income of farm operators is estimated at about \$12.8 billion, \$1.1 billion above 1960 and the highest since 1953, when it was divided among more farmers. Cash receipts from farm marketings this year are totaling around 1 percent above the \$35.2 billion reported in 1961. The volume of farm marketings appears close to 1961; prices are averaging around 1 percent higher.

Most of the gain in cash receipts this year is from larger receipts from cattle and cotton. These increases more than offset declines in cash receipts from such commodities as wheat, eggs, turkeys, and dairy products. Larger receipts from marketings this year were supplemented by an increase of about \$400 million in payments under terms of the 1962 Feed Grain and Wheat Programs.

Prices paid by farmers for production items, including interest, taxes, and wage rates through October 1962 averaged 1.3 percent above a year earlier. With some increase in the use of fertilizer, purchased feed and livestock, and some other production items, farm production expenses may total around \$600 million larger than in 1961. Such an increase would about offset the expected gain in gross farm income, leaving realized net income to farm operators in 1962 about the same as the \$12.8 billion in 1961.

Domestic utilization of farm products in 1962 is estimated at $1\frac{1}{2}$ percent above last year. Per capita use of farm products is about the same as in 1961; population increased by nearly 1.6 percent. Consumption of red meats is running around $1\frac{1}{2}$ pounds above the 161 pounds per person in 1961. Increases are indicated for beef and pork. Per capita consumption of poultry is declining from record rates in 1961, and the downtrend in per capita use of eggs is continuing in 1962. Per capita food use of crops was about unchanged from 1961. Improved demand conditions in 1962 led to some increase in uses of cotton and industrial oils in 1962. Exports of agricultural products in calendar 1962, representing around 14 percent of output, about equal the \$5.0 billion exported in 1961. Continued large exports of wheat, feed grains, and food fats and oils are contributing to the high level of agricultural exports. Food For Peace exports under P.L. 480 programs are accounting for nearly one-third of total exports.

Another reduction in output of grains in 1962, under the Feed Grain and Wheat Programs, points to a small decline in total crop output. However, production of livestock products this year is apparently a shade larger than in 1961--more dairy products and a small gain for meat animals partly offset by reduced output of poultry products. On balance, combined output of farm products in 1962 is indicated at about the same as in 1961, completing 3 years of stable total output.

Continued relatively favorable livestock product-feed price ratios have contributed to a further rise in feeding rates. With smaller production and increased use of feed grains, carryover stocks at the beginning of the 1962-63 marketing year were cut by 14 million tons to 71 million. A smaller 1961 wheat crop and increased utilization and exports also reduced the carryover of wheat by 100 million bushels to 1.3 billion bushels in mid-1962. Reduced carryover stocks of grains resulted in a decline in CCC investment in commodities owned and under loan from about \$7.0 billion in mid-1961 to more than \$6.6 billion on June 30, 1962 despite increases in stocks of cotton, dairy products, and soybeans. Payments to farmers for acreage diverted from production of wheat and feed grains are estimated at \$1.2 billion in 1962, \$400 million above 1961.

Outlook for Agriculture in 1963

Little change in cash receipts from farm marketings is in prospect for 1963, reflecting small changes for most commodities. Marketings of livestock products are expected to increase in 1963 and prices may average lower, resulting in possibly slightly larger cash receipts. Little change is anticipated in marketings, average prices, and cash receipts from crops. Larger Government payments in 1963 will contribute most to the indicated small gain in gross farm income. Prices paid by farmers for production items may increase a little in 1963 from levels this year. The persistent rise in charges for interest, taxes, and depreciation will be the major contributor to the expected increase in farm production expenses next year. The rise in 1963 may be close to that of 1962 and probably large enough to about offset the prospective gain in realized gross farm income. A continued decline in the number of farms in 1963 and realized net incomes around the level of this year would result in a further gain in operators' net income per farm. Per capita personal income of farm people from all sources will likely rise again in 1963 from the record level estimated for 1962.

Output of farm products in 1963 will likely rise a little above the level of the past 3 years. The final outturn will depend on a number of factors, including growing conditions and the impact of 1963 programs on acreage and production. Cattle slaughter is expected to increase again in 1963--possibly 3 percent above 1962. Better than average hog-corn price relationships are also encouraging increases in hog production. The fall pig crop is indicated around 2 to 3 percent larger than last fall and a gain of as much as 3 to 4 percent is expected in the 1963 spring pig crop. These increases point to a hog slaughter in 1963 possibly 3 percent larger than in 1962. A sizable increase in production of poultry, too, is expected from the reduced output in 1962. Crop output in 1963, assuming current programs and average growing conditions, would likely change little from reduced levels in 1961 and 1962.

The domestic market for farm products will increase again in 1963 at least in proportion to population growth. Prospective increases in per capita consumption of red meat and poultry will more than offset indicated declines in per capita use of dairy products and eggs. Combined per capita consumption of food may increase slightly in 1963. Export markets for farm products in 1962-63 are not expected to differ greatly from the record shipments in 1961-62. Wheat exports may decline by possibly 120 million bushels from the record 717 million bushels in 1961-62 due largely to improved world wheat crop prospects. Shipments of feed grains and tobacco also may not match the large shipments in 1961-62. But these declines may be largely offset by further substantial increases in exports of soybeans and food fats and oils. Soybean exports to dollar markets are expected to increase around 15 percent. Most of the anticipated 20 percent expansion in exports of edible vegetable oils would be financed under Food For Peace programs. Cotton exports in the 1962-63 marketing year may change little from the previous year. Foreign free world consumption is expected to continue near the high level of last year, but foreign production will likely increase.

Increased requirements for feed and continued relatively favorable product-feed price ratios will result in total utilization during the 1962-63 marketing year in excess of the 1962 feed grain crop. The carryover of feed grains, consequently, will be reduced again, possibly by as much as the 14 million ton cut in 1961-62. Prospective domestic use and exports of wheat in 1962-63 are expected to exceed the estimated 1.1 billion-bushel 1962 crop and lead to a further reduction in the carryover next July, possibly by 100 million bushels. These declines will be partly offset by prospective increases in carryover stocks of cotton and probably dairy products. Net declines in carryover stocks, however, are again expected to reduce CCC investment, but probably by less than the \$380 million reduction during the 1961-62 fiscal year.

Prices received by farmers are running about 1 percent higher this year than in 1961. Livestock product prices are slightly higher and crop prices are up more than 2 percent. Generally increased production of livestock products and relatively stable domestic demand conditions may result in slightly lower average prices for livestock products in 1963. Crop prices in 1963 are expected to average nearly as high as this year, reflecting 1962-crop price support programs through much of the year. The 1963 programs for wheat and corn provide for a reduction of 18 cents per bushel in the 1963 loan rates for corn and wheat, but this reduction will be about offset by a payment-in-kind. Prices paid by farmers, including interest, taxes, and wage rates, are running around $1\frac{1}{2}$ percent higher than in 1961. There may be some further increase in the parity index in the coming year. But with relatively stable demand conditions indicated for 1963, the rise may be smaller than over the past year. Prospective trends in prices received and in the parity index point to a parity ratio in 1963 close to the average of the past 3 years.

General Economic Situation and Outlook

Most measures of economic activity continued to show mixed trends in the third quarter. Consumer income and consumer expenditures for goods and services, the major sources of demand, increased less than 1 percent from the second quarter rate to a level about 5 percent above the third quarter of 1961. Gross investment outlays declined slightly in the third quarter, but Government purchases of goods and services registered a substantial gain. In sum, the gross national product rose fractionally to a level in the third quarter about 6 percent above a year earlier. Prospective trends in demand by consumers, business and government suggest that, on balance, some modest gain in economic activity is likely in 1963. It is possible that the rate of economic growth could be accelerated. The vigor of the economy may be influenced materially by increased defense spending and new legislation affecting taxes. The Administration has stated its intention to submit a tax bill to the Congress next January. It is expected that such a bill, "...will include an across-the-board, top-to-bottom cut in both corporate and personal income taxes."

The rise in business activity since early 1961 and a slowing in the pace of economic recovery during the summer have not led to serious excesses or imbalances in inventories, fixed capital expansion, or consumer buying in general. Thus, no big swing in demand is needed to correct serious imbalances.

With little change in prospect for investment demand, the scheduled rise in Government expenditures is expected to be the major expansionary influence on the economy in 1963.

Government purchases of goods and services in the third quarter of 1962 were at an annual rate of \$119 billion, about \$12 billion above a year earlier. This represented an increase of \$7 billion in Federal purchases and about \$5 billion in outlays by State and local governments. New legislation indicates that purchases by the Federal Government may increase by around \$4 billion in the coming year. Most of the increase will reflect stepped-up outlays for national security and space activities. New legislation includes such programs as the \$900 million for accelerated public works in depressed areas and around \$600 to \$700 million (annual rate) for the new Federal pay bill. Appropriations for the public roads program were increased by about \$1.9 billion. These authorizations may add about 3/4 billion dollars to Federal spending in the coming year as well as accelerate the rise in expenditures by State and local governments.

Outlays by State and local governments in the first half of 1962 were up more than \$4 billion from a year earlier. Growing demands for services, schools, roads, and other public facilities are expected to result in a further rise in outlays of possibly \$4½ billion in the coming year.

The step-up in depreciation allowances for tax purposes, under the new guidelines, and new legislation providing a 7-percent tax credit for new investment, will result in some reduction in corporate tax revenues. On the other hand, there is a scheduled step-up in Social Security taxes of about \$2 billion beginning next January--about \$1 billion each from employers and employees. The deficit on the national income and product accounts was down to \$1.0 billion in the second quarter of 1962 from nearly \$7.0 billion in the opening quarter of 1961. Prospective changes in economic activity suggest some further rise in total government revenues in calendar 1963, but expenditures are expected to increase more rapidly than revenues.

Private capital expenditures continued to edge upward in 1962, reflecting the rise in plant and equipment outlays and an increase in residential construction since last spring. Business inventories have risen with expanding business activity, but at a much slower rate than earlier this year when large steel inventories were accumulated as a strike hedge.

Recent slackening in total demand, excess productive capacity in some basic industries, and recent small month-to-month fluctuations in new orders and order backlogs all currently point to some sluggishness in business investment demand in coming months. However, investment demand may strengthen in the latter part of next year, particularly in view of the added incentives for business investment. Available evidence suggest that capital expansion in manufacturing firms in the 1961-62 recovery period was not excessive. An estimated 70 percent of prospective capital outlays in 1962 will be for new equipment and modernization; about 30 percent for expansion of capacity. Except

for steel and transportation equipment, most manufacturing industries in the third quarter were operating within a few points of manufacturers' preferred production rates. The uptrend in capital outlays by the trade, service, and communication industries probably will continue into 1963. In 1962, these industries accounted for more than a third of total capital outlays.

Capital financing in general should not be a limiting factor on business capital outlays in 1963. Corporate profits before taxes have been maintained this year at a rate of \$50.5 billion, about \$10.5 billion above the recession low in the first quarter of 1961. Gross business savings--undistributed corporate profits and capital consumption allowances--in the second quarter were \$7 $\frac{1}{2}$ billion above the first quarter of 1961. This gain is double the increase in capital outlays for new plant and equipment. New depreciation guidelines will increase capital consumption allowances, and the tax credit on investment also ~~increases~~ money available for financing investment. A sizable cut in corporate and personal taxes likely would expand total demand, increase corporate earnings, and provide further incentive for additional capital outlays.

Inventories are relatively low and in general do not appear out of line relative to sales. Excessive inventories of steel have been reduced. Dealer's carryover stocks of 1962 cars, too, were low compared to sales. And fourth-quarter production of 1963 models is scheduled at around 1.9 million units, about 4 percent above output in the closing months of 1961. Reasonably well balanced inventories and prospective trends in demand point to some further buildup in business inventories.

Private housing starts averaged at a rate in excess of 1.4 million units in January-September this year and are expected to continue high in coming months. Demand for housing in 1963 probably will maintain residential building close to levels of this year. A relatively high rate of new family formation is expected to continue in 1963, and consumer incomes likely will be maintained. From 1961 to 1962, an estimated 1.3 million new households were formed. With a rising number of young people in the marriageable age group, the annual increase in new families is trending upward. Due in part to this uptrend and to tax advantages, apartment construction has risen almost continuously in recent years and in 1962 equals about a third of new housing starts. Ample supplies of mortgage funds, reflecting an easier monetary policy, and a relatively high volume of savings, have resulted in a reduction in longer-term mortgage interest rates.

Consumer buying of goods and services in the third quarter was at an annual rate \$17.4 billion above a year earlier. This was about half of the \$33 billion increase in gross national product over the past year. In the coming year, prospects for another good auto year and a continued high rate of residential construction are expected to maintain demand for durable goods. The uptrend in expenditures for nondurable goods and for services likely will continue into 1963. A reduction of taxes on personal incomes would contribute directly to increased consumer buying in 1963.

Thus, barring any substantial change in international tensions, a modest gain in business activity and in consumer incomes is indicated for 1963. Small changes in prospect for output and employment would likely lead to some rise in unemployment, particularly in the early part of 1963. Prospective demand conditions do not imply general upward price pressures in 1963. But recent changes in commodity prices demonstrate the probable impact on commodity prices of any worsening in world tensions.

The balance of payments deficit on international transactions of the U. S. has been reduced materially in the past 2 years. The net deficit for the first 3 quarters of 1962 was at an annual rate of about \$1.8 billion, down from \$2.5 billion in 1961 and \$3.9 billion in 1960. Exports of goods and services have increased during the past year, but imports rose even more because of gains in U. S. economic activity. Government grants to foreign countries have remained somewhat above earlier years, while the private capital outflow has been reduced. Part of the improvement in the U. S. balance of payments, particularly in the second quarter this year, reflects nonrecurring special transactions. U. S. financial policies have limited outflows of short-term capital. At the same time, measures have been taken to reduce military expenditures abroad and to limit balance of payments impacts of foreign aid expenditures. A slowdown in economic activity and rising costs in major exporting countries may help to make U. S. exports more competitive in world markets and reduce the outflow of short-term capital. A slackening in U. S. economic activity may limit imports. But the balance of payments problem will likely continue into 1963.

COMMODITY HIGHLIGHTS

Livestock production is receiving a stimulus from favorable livestock-feed price ratios sufficient to increase per capita meat production for 1963 about 1 pound, up from 162.5 pounds this year. Production potential and supplies for 1963 cattle slaughter have increased because of an expected addition of 2.5 million head to cattle and calf inventories. The fall pig crop is estimated about 2 or 3 percent larger than a year earlier and a 3 or 4 percent gain in the spring pig crop appears likely.

Milk production in 1963 is likely to reach a new record. Cash receipts from farm sales of dairy products are expected to be slightly lower in 1963 than this year, because average prices for the year are expected to be slightly down. The decline in consumption per person of milk in all forms, which started in 1956, may be arrested in 1962 but is likely to be resumed in 1963.

Egg production for all of 1963 may be slightly greater than for 1962 but will be down a little during the early part of the year, when the size of the Nation's laying flock is expected to be relatively smaller. Broiler and turkey prices are running higher in 1962 than a year earlier, and output of these farm products is expected to increase in 1963.

Domestic consumption of wool is expected to increase moderately in 1963, reflecting a continued increase in imports of wool textile products, a relatively stable mill use of apparel wool, and an increase in mill use of carpet wool. The shorn wool incentive level for the 1963 marketing year continues at 62 cents per pound--the same as during the first 8 years of the program.

Wheat supplies for the 1962-63 marketing year are estimated at 2,405 million bushels, about 10 percent below last year, due to declines in carryover and in production. Domestic disappearance will be little changed from recent years, but exports will be lower this marketing year than last. The carryover on June 30, 1963, is likely to be down 8 percent from the mid-1962 carryover. With the smaller 1962 crop, the season average price received by farmers is likely to be above the effective support level.

Acreage controls and large-scale exports, principally under Government programs, reduced carryover stocks of rice on August 1, 1962, to 5.3 million cwt.--only about 15 percent of the record level 6 years ago. The carryover on August 1, 1963, projected at 8.5 million cwt., represents a more desirable carryover. With a return to the statutory acreage allotment, 1963 production may about equal domestic use plus exports so that the carryover August 1, 1964 might be about the same as on August 1, 1963.

Feed grain supplies for the 1962-63 year are estimated at 210 million tons, down 7 percent from last year. Production under the 1962 Feed Grain Program is slightly smaller than under the 1961 program and 11 percent below the record output in the 1960-61 crop year. With domestic and export requirements greater than production, carryover stocks into the 1963-64 marketing year likely will be near 57 million tons, down 14 million tons from the carryover into 1962-63. Prices of feed grains and high-protein feeds in 1962-63 may average near or a little above the 1961-62 levels.

The total U. S. supply of edible fats, oils, and oilseeds during the 1962-63 marketing year is forecast at a record 16.5 billion pounds, about 4 percent more than last year. Domestic disappearance of these food fats is expected to continue at about the annual rate of 46 pounds per person. Prospects are that exports of food fats through September 1963 may set a new record of about 4.9 billion pounds, 20 percent more than in 1961-62.

Prospective supplies of fruit through the first half of 1963 are a little larger than a year earlier. The 1962-63 citrus crop likely will be somewhat larger than the above average crop in 1961-62, but the 1963 deciduous crop may be a little smaller than in 1962. Prospects for fruit exports do not appear as favorable in the coming year as they were in the 1961-62 season.

Supplies of fresh market vegetables into winter are likely to be smaller than a year earlier. Frozen vegetable supplies will be moderately smaller into mid-1963, but supplies of canned vegetables are expected to be substantially larger than a year earlier. With output from late summer and fall crops down 7 percent, supplies of potatoes available for fall and winter marketing are smaller than a year ago. Potato prices into early spring are expected to continue above the depressed levels of a year earlier. Sweet-potato supplies are up substantially from a year earlier and, while prices are expected to rise seasonally into spring, prices for the season as a whole probably will average well below those of last season.

The carryover of cotton on August 1, 1962, was higher than a year earlier and is expected to rise further in 1963. Domestic production is up around 0.4 million bales, and foreign free world production is estimated over 1 million bales higher than a year earlier. Cotton exports during the 1962-63 marketing year are expected to be about the same as the 4.9 million bales exported during 1961-62. The national acreage allotment for upland cotton for 1963, not including the national acreage reserve, has been announced at 16 million acres.

Total supplies of flue-cured and of burley tobacco are each about 2 percent larger for 1962-63 than a year earlier. Output of cigarettes in 1962 is estimated at a new record high, and cigar consumption may be the largest in nearly 40 years. Further gradual increases in cigarette and cigar consumption seem likely in 1963, but no appreciable change in smoking tobacco is foreseen for the year ahead. Use of chewing tobacco and snuff may continue a downward drift.

Total consumption of all timber products this year is estimated at 12.1 billion cubic feet, about 6 percent above the 1961 level. Most of the rise is from sawlogs, pulpwood, and veneer logs.

Rosin carryover on March 31, 1963, is expected to be about 45 percent greater than a year earlier, with exports lower. The turpentine market is expected to be firmer and the upward trend in the turpentine carryover (as of March 31) may be interrupted next year.

GENERAL AGRICULTURAL SITUATION

Demands for U. S. farm products are expanding a little further this year. In the aggregate, farm income, output, and resource use continue around 1961 levels, and year-to-year carryover is being reduced. Important changes are occurring, however, in relative prices, in the composition of outputs and resources, and in the distribution of income.

Domestic Markets
Expand Slowly

A gradually expanding domestic market is absorbing a record quantity of farm products in 1962. Population is about 1.6 percent larger than last year, and consumer income after taxes in 1962 is around 5 percent larger than in 1961. Rising incomes have been accompanied by increased consumer spending for food and other agricultural products. Consumer purchases of food in the first three quarters of this year were up $3\frac{1}{2}$ to 4 percent from the same period of 1961. Sales of clothing and shoes are up around $6\frac{1}{2}$ percent. Part of these increases represent more marketing and processing services. Total domestic use of agricultural products continues to increase about in line with population growth. Combined use of farm products per person this year will be up only slightly from 1961.

In the past decade, expenditures for domestic farm foods have risen from \$48 billion in 1952 to \$62 billion in 1961, an average annual increase of \$1.4 billion. The total marketing bill also has increased an average of nearly \$1.4 billion per year, which means that the farm value of consumer expenditures for food has fluctuated around a level close to \$20 billion per year. In 1961, the farm value was \$20.8 billion. This year, consumer expenditures for food are rising a little more than average. However, the marketing bill also will rise and limit the increase in farm value.

Domestic use and exports of farm products are a little greater than production and imports this year. As a result, there is a small reduction in carryover stocks, primarily feed grains and wheat. In 1962, the domestic market is absorbing nearly 87 percent of total utilization and the remaining 13 percent is being exported (see table 1). Domestic food uses are accounting for about 76 percent of total use this year and nonfood use nearly 11 percent. Domestic food use has accounted for about a constant proportion of total use over the past decade; decreases in nonfood domestic uses of farm products such as cotton, wool, industrial oils, and tobacco have been about offset by increases in exports. Export markets in fiscal 1961-62 took more than one-half of wheat and rice production, around one-third of soybean and cotton production, and a substantial portion of the production of tobacco, feed grains, and fats and oils.

Of the total quantity of farm products being used in the United States this year, about 87 percent is from U. S. farm production, down from a 91 percent average for the past decade. About 12 percent is from imports, and the remaining 1 percent this year is from a reduction in stocks. In the prior ten years, stocks were reduced by utilization in two years; by about 1 percent in 1957 and fractionally in 1961.

Table 1.--Supply-utilization of farm commodities:
Percentage of net annual utilization, 1952-62

Year	Supply				Utilization		
	Net	Net	Stock	Total	Domestic use		Exports
	produc-	imports	change		Food	Nonfood	and
	tion 1/	1/	2/		4/	1/	shipments
	Percent	Percent	Percent	Percent	Percent	Percent	Percent
1952	91.6	11.6	-3.2	100	78.3	12.5	9.2
1953	92.9	12.0	-4.9	100	79.3	12.7	8.0
1954	93.5	10.6	-4.1	100	79.5	11.6	8.9
1955	93.0	11.0	-4.0	100	78.8	11.9	9.3
1956	90.1	10.8	- .9	100	76.9	11.5	11.6
1957	88.4	10.7	.9	100	76.4	10.7	12.9
1958	93.2	11.4	-4.6	100	78.1	10.8	11.1
1959	89.4	12.7	-2.1	100	77.5	11.3	11.2
1960	90.5	11.6	-2.1	100	75.6	10.6	13.8
1961	87.9	12.1	5/	100	75.9	10.4	13.7
1962 6/	87.1	12.2	0.7	100	76.3	10.5	13.2

1/ Feed and seed are excluded to avoid double counting.

2/ Includes farm and commercial stocks and holdings under Government programs. Negatives indicate increases in stocks from beginning to end of year: positives signify withdrawals from stocks.

3/ Net production plus imports plus stock change equals domestic use plus exports equals 100.

4/ Includes civilian feeding in areas occupied by our Armed Forces.

5/ Less than 0.05 percent.

6/ Preliminary.

U. S. Department of Agriculture, ERS.

Farm Product Prices are Generally Higher

Farm product prices are about 1 percent higher this year than last and, while below 1958 levels, have continued through the year above the 1959-61 average. Livestock prices, while lower than the average of the past 3 years in February-July, have been higher in recent months and for the year as a whole are expected to average around or slightly above the average of 1961 and 1962. With increased marketings of livestock products, and with little gain in per capita purchasing power in prospect, livestock prices in 1963 may average a little below levels this year.

Crop prices likely will average more than 2 percent higher this year than last. Crop prices likely will continue above 1957-61 levels in 1963 and will be nearly as high as this year. For the 1962-63 crop year, corn, grain sorghum, and barley supports will be \$1.20, \$1.93, and \$0.93, respectively. (See table 2.)

Under the 1963 Voluntary Feed Grain Program, a condition of price support eligibility for corn, grain sorghum, and barley will be participation in a special conservation program involving a reduction of at least 20 percent of the average acreage planted to these crops in 1959 and 1960. The support level of \$1.20 for corn includes an 18-cent per bushel payment-in-kind on eligible production whether marketed or fed. The 1963 program is more attractive than the 1962 program to livestock feeders who grow grain for livestock consumption rather than for a cash crop. The new program is likely to result in greater percentage participation by feed grain growers. However, the acreage diverted per farm is likely to be less in 1963 than under the 1961 and 1962 programs.

During the 1961-62 wheat crop year, when wheat was supported at \$1.79 per bushel, the acreage harvested was about the same as in most years when the minimum 55 million acre allotment was in effect. Production was about 1.2 billion bushels, 9 percent less than during the 1960-61 year, and the average market price for the season was about 4 cents above the support price. For the 1962 wheat crop, harvested acreage is nearly 15 percent below that of 1961 as a result of the 1962 programs. Indicated yield is up about a bushel per acre from year-earlier levels and output is around 1.1 billion bushels, down 11 percent from a year earlier. For 1963 wheat, the level of support will be \$2 per bushel, including an 18-cent payment in kind on normal production and a \$1.82 loan rate on actual production for growers who participate in the voluntary diversion program. Wheat producers who do not come into the diversion program but stay with their allotment will be eligible for loans at \$1.82 per bushel.

Commodity Credit Corporation Investments Reduced

During fiscal 1961-62, total CCC price-support investment, consisting of inventories and loans, was reduced \$381 million, down 5 percent from the beginning of the year. (See table 3.) Inventories owned by CCC were reduced by \$1,089 millions, but there was a \$708 million increase in loans. The net decrease in total investment was slightly larger than the decrease of \$285 million (adjusted for accounting change) in the preceding year.

Net decreases in investment in grains and tobacco more than offset increases in cotton, dairy products, and soybeans. Reductions in grain inventories accounted for most of the overall decrease during the year. Wheat inventory was reduced to 1,097 million bushels from 1,242 million bushels; corn inventory was reduced to 659 million bushels from 1,261 million bushels. (See table 4.) There was a net reduction in loans outstanding for all the grain commodities, except corn. CCC investment in tobacco loans was reduced from 609 million pounds to 451 million pounds.

Table 2.--Support prices and season average prices, selected commodities, 1959-62

Commodity	Unit	Beginning: of marketing: season	1959		1960		1961		1962	
			Support price	Season average price	Support price	Season average price	Support price	Season average price	Support price	Season average price
Wheat	Bu.	July	1.81	1.76	1.78	1.74	1.79	1.83	2.00	1.97
Corn	Bu.	Oct.	1.12	1.04	1.06	.997	1/1.20	1.08	1/1.20	1.02
Grain sorghum	Cwt.	Oct.	1.52	1.52	1.52	1.49	1.93	1.76	1.93	1.62
Soybeans	Bu.	Oct.	1.85	1.96	1.85	2.13	2.30	2.28	2.25	2.23
Tobacco, flue-cured (11-14)	Lb.	Oct.	.555	.583	.555	.604	.555	.643	.561	.603
Tobacco, burley (31)	Lb.	Oct.	.572	.606	.572	.643	.572	.665	.578	---
Cotton, American upland	Lb.	Aug.	2/.3410	.3156	2/.3242	.3008	.3304	.3340	.3247	.3259
Milk for manufacturing	Cwt.	Apr.	3.06	3.17	3/3.06	3.25	3.40	3.36	3.11	n.a.

1/ \$1.21 was the support rate for producers participating in the 1961 and 1962 Feed Grain Programs.

2/ \$.3410 and \$.3242 were for Choice A. Choice B was supported at \$.2840 and \$.2663.

3/ Increased to \$.3.22 for September 17, 1960 to March 9, 1961 and to \$.3.40 thereafter.

n. a. - Not available.

Table 3.--Commodity Credit Corporation Operations 1960-61 and 1961-62

Item	:	1960-61 1/	:	1961-62
	:	<u>Mil. dol.</u>	:	<u>Mil. dol.</u>
Total beginning investment-July 1	:			
Inventory	:	6,021		5,563
Loans outstanding	:	<u>1,302</u> 7,323		<u>1,475</u> 7,323
Additions	:			
Inventory acquisitions	:	3,058		2,138
Loans made	:	<u>1,795</u>		<u>2,619</u>
Deductions	:			
Inventory dispositions	:	3,516		3,227
Loan liquidations	:	<u>1,622</u>		<u>1,911</u>
Total ending investment-June 30	:			
Inventory	:	5,563		4,474
Loans outstanding	:	<u>1,475</u> <u>7,038</u>		<u>2,183</u> <u>6,657</u>
Net change - Total investment	:			
Inventory	:	-458		-1,089
Loans	:	<u>+173</u> <u>-285</u>		<u>+708</u> <u>-381</u>

1/ All data on revised basis adjusted for inventory revaluation.

Table 4.--CCC operations for major commodities, fiscal 1961-62

Commodity	Unit	Beginning quantities	Additions	Deductions	Ending quantities
		Loan: Inven-	Loan: Inven-	Loan: Inven-	Loan: Inven-
		tory	tory	tory	tory
Wheat	: Mil. bu.	: 126 1,242	247 130	292 277	80 1,097
Cotton	: 1,000 bales	: 95 1,975	4,850 0	1,450 513	3,494 1,463
Corn	: Mil. bu.	: 742 1,261	590 383	406 986	926 659
Grain sorghums	: Mil. cwt.	: 12 392	106 109	109 117	10 385
Butter	: Mil. lb.	: --- 159	--- 441	--- 200	--- 401
Tobacco	: Mil. lb.	: 609 ---	91 72	249 72	451 ---
Soybeans	: Mil. bu.	: 0 0	115 52	97 0	18 52

Inventories of cotton were reduced, but cotton under loan increased to 3.5 million bales from less than 0.1 million bales. The resulting net increase in total investment in cotton amounted to nearly \$500 million. Dairy stocks owned by CCC increased during 1961-62. Sales and donations increased considerably over the previous year, but purchases more than doubled. Investment in soybeans owned and under loan increased to a total of 70 million bushels from .2 million bushels.

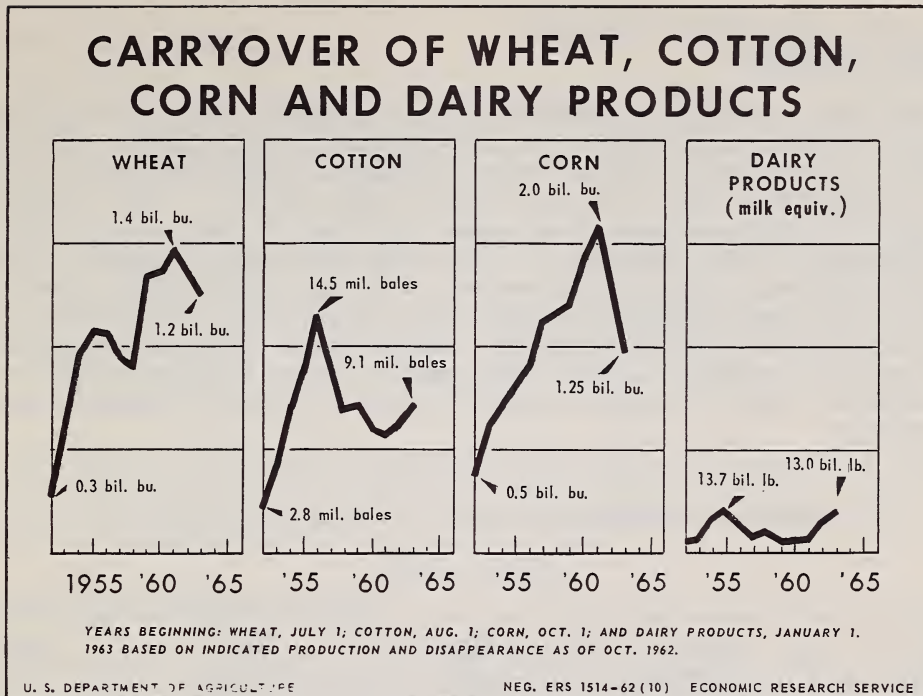
CCC investment likely will be reduced further in fiscal 1962-63, although the decrease may not be as large as in 1961-62. Loan investment is expected to decline, but there may be some buildup in inventories. Investment in grains owned and under loan, particularly corn, is expected to decrease. CCC investment in wheat likely will be nearly as large as in the preceding year, despite a smaller supply of wheat from the 1962 crop. Investment in feed grains is expected to continue its decline throughout the current fiscal year. But CCC investment in dairy products and cotton may increase.

Carryover Is Reduced for Grain, but Rises for
Dairy Products and Cotton

Carryovers of most major farm commodities, particularly grain stocks, are less this year than last; however, carryovers of cotton and dairy products are greater. In 1962-63, the total of domestic disappearance and exports of wheat is expected to exceed the 1962 harvest and result in a decline in stocks of about 100 million bushels to a level around 1,200 million bushels by July 1963. This would be the second year-end decline from the peak of 1,411 million bushels in July 1961. The prospective carryover of 1,200 million bushels next July about equals prospective domestic use and exports during the 1962-63 marketing year.

In the 1961-62 crop year, stocks of feed grains were reduced from 85 million tons to 71 million tons. Stocks are likely to be reduced further to about 57 million tons during the 1962-63 crop year. The supply of feed grains is estimated 7 percent below that of last year, as a result of both the smaller carryover at the beginning of the year and reduced plantings under the current Feed Grain Program. Domestic consumption likely will remain at a high level, although exports may decline somewhat from the relatively large exports in 1961-62. The reduction of stocks in 1961-62 and in 1962-63 is a reversal of the trend of rising stocks since 1952. Carryover of corn on September 30, 1963 is estimated at 1,150 million bushels, 29 percent below a year earlier.

The carryover of all kinds of cotton on August 1, 1963, is expected to total around 9.1 million bales, about 1.3 million bales above the carryover on August 1, 1962. This would be the highest carryover since 1957, but well below the record high carryover of 14.5 million bales on August 1, 1956. The expected increase in the carryover reflects both a larger crop for 1962 than a year earlier and a decline in disappearance during the 1962-63 crop year.



Stocks of dairy products will climb to around 13 billion pounds of milk equivalent by the end of 1962 for the second year in a decade. At the end of calendar 1954, dairy stocks reached a peak of 13.7 billion pounds of milk equivalent. Stocks diminished subsequently to a low of 4.2 billion pounds milk equivalent at the end of calendar 1959. Dairy stocks rose above 15 billion pounds in July of this year and are expected to decline seasonally to about 13 billion pounds by year-end. CCC owned stocks of dairy products, particularly nonfat dry milk, probably will continue to increase in calendar 1963.

Farm Output Continues at 1960-61 Levels

Farm output is expected to be 107 percent of its 1957-59 average in 1962 and may exceed that next year. Aggregate output is about the same this year as for the past 2 years but is up substantially when compared with a production index of 92 a decade earlier and one of 82 two decades earlier. This year, production of meat animal and dairy products is up a little and that of poultry and eggs down from a year earlier. Production of food grains is considerably less this year and that of feed grains is down a little, but cotton, tobacco, and sugar crop production increased from year-earlier levels. Livestock production in 1963 appears likely to increase next year as it has the past 3 years. During the past decade, production of livestock and products increased more rapidly than crops. Relatively less livestock than crops was produced in 1952 and relatively more in 1962. Relatively more livestock than crops is indicated for 1963. Oil crop production nearly doubled, mainly soybeans, in the past decade, and sugar crops increased by about two-thirds. Cotton and tobacco production is a little less in 1962 than in 1952, but both are well above the recent lows in 1957. Poultry and egg production is about one-third greater now than a decade earlier.

Flow of Total Agricultural Resources
Continues Unchanged

The total quantity of resources used in agricultural production has not changed much in the past decade, but the composition has changed. The quantity of capital has increased, that of labor decreased. This year, the use of farm labor is running more than 3 percent below a year earlier. This decrease is about offset by increased use of capital. The flow of real estate service is about unchanged for the 6th year in a row. The increase in capital expenditures, including machinery, crops, and livestock, averaged a little more than 2 percent per year for the past decade (see table 5). The greatest year-to-year increase was one of 5 percent from 1958 to 1959. There was no increase in aggregate capital inputs from 1956 to 1957. The quantity of agricultural land in use was about unchanged during the past decade, but was up nearly 8 percent from a decade earlier.

Table 5.--Indexes of inputs by subgroups, 1940-61

(1957-59=100)

Year	Total inputs	Farm labor	Real estate	Capital 1/
1940	97	190	92	51
1941	97	186	92	52
1942	100	191	91	56
1943	101	188	89	59
1944	101	187	88	60
1945	99	174	88	63
1946	99	167	91	65
1947	99	159	92	69
1948	100	156	95	72
1949	101	150	95	77
1950	101	140	97	81
1951	104	141	98	86
1952	103	134	99	89
1953	103	128	99	90
1954	102	123	100	91
1955	102	119	100	94
1956	101	112	99	97
1957	99	103	100	97
1958	99	103	100	97
1959	102	98	100	104
1960	101	92	100	105
1961	101	89	100	107

1/ Includes mechanical power and machinery, fertilizer, feed seed and live-stock purchases, and miscellany.

Prices Paid Rise Further

The Parity Index, or index of prices paid by farmers for commodities and services, interest, taxes, and wages, is continuing its steady rise of the past decade and is expected to rise further in 1963. This year the index is running more than 1 percent above last year.

The index of prices paid by farmers for production items, a component of the Parity Index, rose about 1 percent in 1962 from a year earlier, when it was still near 1958-60 levels. Prices of family living items including food, clothing, and autos, have risen 3 percent above the 1957-59 average. Weighted less heavily in the Index but rising more rapidly are interest on farm mortgage debt, taxes, and wages. Of these, mortgage interest costs per acre generally show the greatest relative increase from year to year.

The Parity Ratio has been comparatively stable for the past 3 years. It has averaged 85 in the past decade, falling from 100 in 1952 to 79 in 1961. With farm costs continuing to rise faster than product prices, the ratio likely will fall fractionally further this year and next.

Operating Costs Continue to Rise

Farm production expenses have been mounting over the years, as farmers adopt new, labor-saving technologies, purchase proportionately more resources, and pay higher unit costs. Expenses are totaling around \$600 million more in 1962 than in 1961. This is compared with an increase of around \$900 million from 1960 to 1961. On a per-farm basis, the increase in expenses this year is about 15 percent more than the increase in expense per farm of \$468 from 1960 to 1961. On the average, farm expenses have increased about 2 percent per year during the past decade (see table 6). The greatest increases have been in items for current operation (excluding hired labor) and in taxes and interest. Hired labor and depreciation expenses have increased somewhat.

Table 6.--Farm production expenses, 1952-1962, in current dollars

Year	Current operating expenses 1/	Hired labor	Depre- ciation	Taxes and interest	Net rent to non- farm land- lords 2/	Total
	Mil. dol.	Mil. dol.	Mil. dol.	Mil. dol.	Mil. dol.	Mil. dol.
1952	13,621	2,802	3,399	1,357	1,421	22,600
1953	12,430	2,793	3,520	1,409	1,214	21,366
1954	12,714	2,716	3,616	1,459	1,159	21,664
1955	12,793	2,736	3,722	1,554	1,057	21,862
1956	13,385	2,733	3,722	1,645	1,109	22,594
1957	13,908	2,785	3,885	1,764	1,029	23,371
1958	15,398	2,895	3,948	1,870	1,161	25,272
1959	16,065	2,960	4,147	2,017	1,011	26,200
1960	15,957	2,955	4,138	2,185	1,007	26,242
1961	16,559	3,048	4,077	2,318	1,107	27,109

1/ Does not include hired labor. 2/ Includes Government payments to nonfarm landlords. These payments were \$35 million in 1952 and \$149 in 1961.

Farm Assets Increase
More Than 3 Percent

Farm resources were valued at \$207 billion on January 1, 1962, and expenses associated with using those resources in 1962 are estimated over \$27.7 billion (see table 7). Total farm assets were up \$7.5 billion from a year earlier and up \$41.1 billion from January 1, 1952. Assets will likely rise another 3 percent by January 1, 1963, with most of the rise due to a further increase in real estate values. Higher per-acre prices for real estate accounted for \$6.1 billion of the \$7.5 billion increase in farm assets this year over a year earlier. Increases in crops and livestock inventories also were important contributors to the rise from last year. Of the crop inventory on January 1, 1962, about \$1 billion was in off-farm storage under CCC loan. On a current dollar basis, crop inventories have fluctuated around a level of \$8.6 billion over the past decade. On a physical volume basis, and with lower crop prices, these inventories were 25 percent larger in 1962 than in 1950. In terms of constant dollars, total farm assets are about the same this year as last but up about 5 percent from a decade earlier.

Table 7.--Agricultural assets, United States, January 1, 1952-62,
in current dollars

Year	Real estate	Live- stock	Machinery and motor vehicles ^{1/}	Crops ^{2/}	House- hold ^{3/}	Financial	Total
	Bil. dol.	Bil. dol.	Bil. dol.	Bil. dol.	Bil. dol.	Bil. dol.	Bil. dol.
1952	96.0	19.5	15.2	8.8	10.3	16.6	166.4
1953	96.6	14.8	15.6	9.0	9.9	16.7	162.6
1954	94.7	11.7	16.3	9.2	9.9	17.0	158.8
1955	98.1	11.2	16.2	9.6	10.0	17.5	162.6
1956	102.4	10.6	16.5	8.3	10.5	18.0	166.3
1957	109.5	11.0	17.1	8.3	10.0	17.9	173.8
1958	116.5	13.9	17.0	7.6	9.9	18.2	183.1
1959	125.4	17.7	18.5	9.3	9.8	19.0	199.7
1960	130.2	15.6	18.6	7.8	9.6	17.9	199.7
1961	131.8	15.5	18.2	8.0	8.9	17.6	200.0
1962	138.0	16.3	18.2	8.7	8.5	17.8	207.5

^{1/} Beginning with 1961 horses and mules are excluded.

^{2/} Stored on or off farms.

^{3/} Includes furnishings and equipment.

Farmers Use More Credit
to Gain Control of Resources

Farm credit is easier this year than it has been in the recent past and farmers are evidently willing to use more credit in their continued expansion in the volume of production per farm. Farmers equities have declined gradually during the past decade to \$87 per \$100 of total assets in 1962 from \$91 in 1951 and 1952 (See table 8.) Equities probably will be near \$86 per \$100 of assets by January 1, 1963. The increased debt has been mostly for real estate, but also important are increases in production loans from banks, Production Credit Associations, and Farmers Home Administration. All debt owed by farmers (excluding CCC loans) totaled \$25.8 billion on January 1, 1962. The increase of \$1.8 billion from a year earlier was relatively greater than the increase in farm assets, and the total debt-to-asset ratio rose about 1 percent to 13.4 cents per dollar. While CCC loans will likely be a little less on January 1, 1963, than a year earlier, other types of debt will increase and the total debt may be about 6 percent more than on January 1 of this year.

Table 8.--Liabilities and net worth of Agriculture, United States,
 January 1, 1950-62, as a percent of total assets

Year	Liabilities				Net worth
	Real estate <u>1/</u>	CCC <u>2/</u>	Insti- tutions <u>3/</u>	Other <u>4/</u>	
	Percent	Percent	Percent	Percent	Percent
1952	4.03	.36	2.46	1.92	91.23
1953	4.49	.74	2.58	2.09	90.10
1954	4.91	1.51	2.33	2.02	89.23
1955	5.10	1.35	2.46	2.03	89.05
1956	5.47	1.14	2.65	2.10	88.63
1957	5.70	.92	2.59	2.01	88.78
1958	5.73	.66	2.73	1.91	88.97
1959	5.67	1.25	2.90	1.85	88.33
1960	6.16	.70	3.36	1.95	87.93
1961	6.55	.70	3.50	2.00	87.25
1962	6.84	.92	3.61	1.98	86.65

1/ Includes farm dwelling and other improvements.

2/ Nonrecourse CCC loans secured by crops owned by farmers.

3/ Loans of all operating banks, the Production Credit Associations, and the Farmers Home Administration, and discounts of the Federal intermediate credit banks for agricultural credit corporations and livestock loan companies.

4/ Loans and credits extended by dealers, merchants, finance companies, individuals, and others. Estimates based on fragmentary data.

Little Change in Realized
Net Farm Income

Realized net farm income in 1962 and 1963 may be about at last year's \$12.8 billion. In the past decade, realized net farm income fluctuated from \$11.0 billion (in 1957) to \$14.4 billion (in 1952) and averaged \$12.2 billion. Cash receipts from farm marketings this year may be up more than 1 percent from a year earlier due to higher farm product prices. The volume of marketings may remain close to last year's record high. Because of increases in the volume of livestock marketings and higher prices for crops, cash receipts for both crops and livestock are averaging a little larger this year than in 1961. Boosting gross income a little further is an estimated increase of \$0.4 billion in total Government payments to farmers.

Farm expenses have risen each year since 1953 and, with the Parity Index a little higher this year than last, expenses are expected to rise about \$0.6 billion in 1962. Nonmoney income furnished by farms is about the same in the aggregate this year as last. Nonmoney income from housing is rising a little further, that from food is decreasing.

Fewer Farmers with More
Income Per Farm

The number of farms in American agriculture is decreasing more than 3 percent this year from last as the trend to fewer, larger, more productive farms continues. (See table 9). Output per farm is at least 3 percent greater this year than last, although total output from all farms is about unchanged. The average annual increase in output per farm over the past decade was 5.5 percent. The increased per-farm output has been accompanied by an increase in the acreage and capital investment per farm. The average value of production assets per farm was \$47,632 on January 1 of this year, up 8 percent from a year earlier. Production assets include real estate, crop and livestock inventories, machinery, and operating capital. The number of farm people per farm is about unchanged this year from last. The decline in the farm population has kept pace with the decline in the number of farms over the past decade, leaving, on the average, about 4 farm people per farm. With increased output per farm, and with product prices relatively stable, gross incomes per farm are rising substantially. Although farm costs are also rising, the average realized net farm income per farm this year is more than \$100 above last year's level. Furthermore, with farm population continuing to decrease and with off-farm incomes increasing, per capita personal incomes from both farm and nonfarm sources is showing another increase in 1962.

Gross Farm Product
Continues to Rise

The contribution of agriculture to the total level of business activity is greater this year than last and has increased substantially since World War II, with most of the gain in gross farm product realized in the early 1950's. During the 1947-60 period, real Gross National Product rose at an average annual rate of 3.5 percent per year. However, industry groups

Table 9.--Land, population, assets and output
per farm, 1950-1962

Year	: : : :	Number of farms <u>1/</u>	: : : :	Acres per farm	: : : :	Farm pop- ulation per farm <u>2/</u>	: : : :	Production assets per farm <u>3/</u>	: : : :	Output per farm <u>4/</u>
	:	<u>Thousands</u>	:	<u>Acres</u>	:	<u>Persons</u>	:	<u>Dollars</u>	:	<u>1950=100</u>
1952	:	5,198	:	232	:	4.2	:	23,863	:	81.6
1953	:	4,984	:	242	:	4.0	:	23,877	:	86.2
1954	:	4,798	:	251	:	4.0	:	23,670	:	89.4
1955	:	4,654	:	258	:	4.1	:	25,523	:	94.9
1956	:	4,514	:	265	:	4.1	:	27,827	:	99.1
1957	:	4,372	:	272	:	4.0	:	31,022	:	100.0
1958	:	4,233	:	280	:	4.0	:	34,639	:	111.1
1959	:	4,097	:	288	:	4.0	:	40,162	:	115.7
1960	:	3,949	:	297	:	4.0	:	42,291	:	123.5
1961	:	3,811	:	307	:	3.9	:	44,128	:	129.5
1962 <u>5/</u>	:	3,688	:	n.a.	:	n.a.	:	47,632	:	133.6

1/ Excludes Alaska and Hawaii.

2/ Ratio of farm population to number of farms.

3/ Average value of production assets per farm including real estate, livestock and crop inventories, machinery and motor vehicles, and miscellany.

4/ Ratio of index of farm output (1957-59=100) to number of farms and adjusted to 1950=100).

5/ Preliminary.

n.a.- Not available.

differed markedly in the extent to which they shared in the expansion. Finance and insurance, communications, and public utilities sectors were the leading gainers, while the farm and transportation sectors were among those making the smallest contributions to the overall increase in real GNP. The real increase in gross farm product averaged 2 percent per year during the 14-year period. Since prices were rising, the increase in current dollar GNP was larger than in real output, but industry groups participated in varying degree in the general price rise. Above-average increases in prices occurred in the contract construction, services, and general government sectors, but prices declined in the public utilities and farm sectors.

FOREIGN DEMAND

U. S. Agricultural Exports
Rise During Fiscal Years 1954-62

U. S. agricultural exports generally have risen since fiscal 1953-54. Total agricultural exports in fiscal 1961-62 were a record \$5.1 billion, 160 percent of the average for the 3 fiscal years 1954-56. While exports have been shipped to all the major areas of the world, Western Europe, Japan, and Canada have received the largest portion. Most of the major commodities have shared in the rise, but wheat, cotton, and feed grains--the leading U. S. surplus commodities--rose most, together accounting for approximately one-half of total farm exports.

Much of the increase in foreign demand for U. S. agricultural commodities is attributed to the economic expansion and rise in income in the major industrial countries which import from the United States. Closer economic integration, particularly in Western Europe, has heightened this economic expansion. Large scale programs to strengthen newly developing countries also have served to bolster foreign demand for U. S. exports. Gold and dollar holdings of many countries trading with the United States rose to record levels in the latter half of the 1950's, making possible the gradual removal of exchange controls which had been instituted during the postwar period of dollar shortage.

Impetus has been given to agricultural exports by efforts of the United States. Public Law 480, enacted in 1954, has aided agricultural exports by means of sales for foreign currency, donations for relief and emergency needs, and barter in exchange for strategic goods. Trade fairs and trade missions also have been established to promote U. S. farm products.

Exports outside Government-financed programs have accounted for around 60-70 percent of total agricultural exports each year since fiscal 1954-55. Of these commercial sales, around one-fifth to two-fifths received some assistance by payments in cash or in kind or by sales from CCC stocks at less than domestic market prices. Government-financed export programs (particularly Title I of P. L. 480) provide food and fiber to newly developing countries which are short of dollars. Asia has been the principal recipient of such exports. In more recent years, emphasis has been placed on exports to newly independent countries in Africa and to Latin American countries under the Alliance for Progress.

Agricultural exports have made a sizable and growing contribution to total U. S. exports since 1954. In fiscal 1953-54, agricultural exports constituted 19 percent of the total; in 1961-62 they were 25 percent of the total.

Agricultural Exports
Record High

The value of U. S. agricultural exports in fiscal 1961-62 was a record high \$5.1 billion, 4 percent higher than the previous record a year earlier. The volume of exports was equal to the previous year's record. Sales for dollars totaled \$3.5 billion, nearly 70 percent of total farm exports. The high level of agricultural exports is expected to be about maintained in fiscal 1962-63.

The rate of production increase in the Common Market countries has slowed somewhat over the summer. In Germany and Italy, the rise in output has slowed but labor remains in extremely short supply, wages continue to rise and prices increase. This has placed a tighter squeeze on profits and gives the United States manufacturer a slight improvement in his competitive position vis-a-vis his Common Market competitor. A roughly similar situation is to be found in France, the Netherlands, and Belgium. In the United Kingdom, output seems definitely to have turned down.

Whatever favorable impact rising incomes in Europe would normally have on U. S. exports has probably been felt by now, the European boom having been underway since mid-1960. Throughout the boom period in Europe, and leading the advance, there has been a surging demand for investment goods rather than for agricultural goods. But increased incomes are reflected in increased consumption of agricultural products, including a move to superior commodities. The recent slowing has not been primarily due to a slackening of demand but to full employment of resources.

Clouding the future for U. S. agricultural exports is uncertainty surrounding the developing agricultural policies of the Common Market. Increasing productivity in European agriculture and special incentives to member states of the Common Market to increase agricultural production likely will reduce demand for some U. S. agricultural products, except in periods of shortages caused by poor harvests or natural disasters.

Agricultural exports under P. L. 480 should, in the coming months, be limited primarily by the availability of eligible commodities and financing. Foreign demand for P. L. 480 shipments, under both Title I and to a lesser degree Title IV, will remain high. Recent changes in Title IV legislation permitting financing of shipments to the private sector may lead to an increase in P. L. 480 shipments, assuming commodities and financing are available.

Most of the major export commodities shared in the recent rise in exports. U. S. exports of wheat, including wheat equivalent of flour and other products, reached a record of 718 million bushels in 1961-62. Much of the increase was due to smaller crops abroad. Nearly 220 million bushels of wheat were sold for dollars. Exports of wheat are expected to decline to 600 million bushels in fiscal 1962-63, largely because of the near-record world wheat crop this year.

Fiscal 1961-62 also was a record year for U. S. feed grain exports (including grain equivalent of products), which totaled 16 million short tons. Over 11 million tons were exported through commercial channels without Government assistance. Feed grain exports also are likely to be somewhat smaller in fiscal 1962-63 than the unusually large exports in 1961-62.

U. S. cotton exports declined during 1961-62 to 4.8 million bales from 7 million bales in the previous year. This reflected a drop of more than 1 million bales in foreign free-world stocks and increased foreign free-world world production. Exports of cotton in 1962-63 are expected to be close to last year's level, because foreign consumption likely will remain high and no further reduction in stocks is anticipated.

Soybean exports in 1961-62 reached a record high 147 million bushels, largely offsetting declines in other oilseeds and products. Large supplies in the United States and limited supplies in other exporting countries have gained for the United States approximately 30 percent of the world market. Continued increases in soybean exports are expected in 1962-63.

Total exports of animals and animal products were little changed in 1961-62 from the previous year. Increases in poultry meats, variety meats, and inedible tallow were largely offset by declines in other meats and lard. Exports of butter and nonfat dry milk rose sharply, but declines in other dairy products offset the gains. Large increases in exports of butter, cheese, and nonfat dry milk are expected in 1962-63, particularly under Government export programs.

Tobacco exports rose about 3 percent in 1961-62 to 520 million pounds (export weight). The level of exports likely will be a little lower in 1962-63.

Exports of horticultural products rose considerably in 1961-62. Fruits and preparations totaled \$282 million, up from \$254 million a year earlier. Vegetables and preparations increased to \$136 million from \$127 million. Exports of dried peas and canned vegetables increased, but exports of dried beans declined considerably.

FACTORS AFFECTING DEMAND
FOR FARM PRODUCTS

Domestic Demand

The Gross National Product of the economy continued upward from the second to the third quarter of 1962, but the rate of increase slackened considerably since last fall. Business fixed investment outlays in the third quarter were more than 10 percent greater than a year ago, but the rate of inventory accumulation declined from the abnormally high first-quarter rate. Disposable personal income reached a record high in the third quarter of this

year, about 5 percent above a year earlier. Personal consumption expenditures have increased steadily for the last 6 quarters but the \$2.6 billion increase from the second to the third quarter this year was the smallest quarter-to-quarter increase since the first quarter of 1961. Industrial production registered a record high of 119 in July (1957=100) and remained at that level through August and September.

Income and Expenditures

Personal income increased from nearly all sources from the second to the third quarter. At a \$443 billion annual rate, income was up almost 1 percent from the second quarter and up almost 6 percent from a year earlier. The major increase in personal income came from wage and salary disbursements, with all industries and Government contributing to the rise. Personal interest income was up substantially from a year earlier as were transfer payments and dividend income.

Consumer incomes increased from quarter to quarter since the beginning of 1958. The rate of increase, however, varied, being very low during recession and substantial during expansion. The increase in consumer incomes slowed in the third quarter of 1962, but further moderate increases are in prospect for 1963.

With consumer incomes setting new records, personal consumption expenditures in the third quarter were at a record annual rate of \$358 billion, more than 5 percent above a year earlier (see table 10). Consumption expenditures, like consumer incomes, exhibit a strong resistance to decline and have been a major factor contributing to the mildness of recent recessions. During the past 4 quarters, expenditures for automobiles have been particularly strong, increasing sharply from the third to the fourth quarter of 1961 and continuing at a \$19-\$20 billion annual rate through the third quarter of this year. Furniture, household, and other durables in the third quarter showed little if any increase over the third quarter of last year, but nondurable goods expenditures in the third quarter were 4 percent greater than a year earlier. Steadily increasing demand for food and beverages was a major factor in the steady upward drift of expenditures for nondurable goods. Expenditures for services contributed significantly to increased consumer spending during the last 4 quarters. Although retail sales in August and September leveled off, the secular growth in expenditures for nondurable goods and for services is expected to continue in 1963.

Private Investment

Private investment expenditures for fixed assets and inventories were at a \$77 billion annual rate for the third quarter, slightly lower than in the second quarter but up 6 percent from the third quarter of 1961. The buildup of steel inventories in late 1961 and early this year, and the subsequent decline, turned some lead indicators down and contributed to the uncertainty surrounding business investment demand.

Table 10.--Consumer income, spending, and saving, third quarter 1961 to third quarter 1962, seasonally adjusted annual rates.

Item	1961		1962		
	3rd.	4th.	1st.	2nd.	3rd.
	qtr.	qtr.	qtr.	qtr.	qtr. <u>1/</u>
	Bil.	Bil.	Bil.	Bil.	Bil.
	dol.	dol.	dol.	dol.	dol.
Personal disposable income	366.3	372.6	375.6	381.8	384.1
Consumer expenditures for goods and services	340.1	346.1	350.2	354.9	357.5
Durable goods	44.0	46.6	46.3	47.2	46.8
Automobile parts	16.9	19.4	19.1	20.3	n.a.
Furniture and household equipment	19.7	19.8	19.7	19.3	n.a.
Other	7.4	7.4	7.5	7.6	n.a.
Nondurable goods	156.2	157.2	159.9	161.3	162.6
Food and beverages	81.5	82.1	83.7	84.2	n.a.
Clothing and shoes	29.0	29.2	29.8	29.8	n.a.
Other	45.7	45.9	46.4	47.3	n.a.
Services	139.9	142.3	144.1	146.3	148.1
Personal saving	26.3	26.5	25.4	26.9	26.6
Savings as a percent of disposable income	7.2	7.1	6.8	7.0	6.9

1/ Preliminary estimates by Council of Economic Advisers.
Department of Commerce except as noted.

Residential nonfarm construction expenditures, although weak in the first quarter of this year, picked up sharply in the second quarter and were at a \$24 billion annual rate for the third quarter, 11 percent above the same period last year (see table 11). Housing starts, seasonally adjusted, fell sharply in September, however, declining 15 percent from the 1.5 million annual rate recorded in August. The September decline is characteristic of the sharp fluctuations that have occurred in this series recently. Vacancy rates in the third quarter of this year were about 7.3 percent of all dwelling units. This is somewhat lower than in the same period in 1961 but substantially higher than in previous years. The relatively high level of apartment construction may in part be due to sharp increases in the size of the marriageable age group which point to a continued rise in the rate of family formation in 1963 and to an increased demand for apartment-type dwelling units.

Table 11.--Investment expenditures, third quarter 1961 to third quarter 1962, seasonally adjusted annual rates

Item	1961		1962		
	3rd.	4th.	1st.	2nd.	3rd.
	qtr.	qtr.	qtr.	qtr.	qtr. ^{1/}
	Bil.	Bil.	Bil.	Bil.	Bil.
	dol.	dol.	dol.	dol.	dol.
Gross private domestic investment:	72.4	76.6	75.9	77.4	77.0
New construction	42.6	43.2	41.6	44.5	46.1
Residential nonfarm	21.9	22.8	21.2	23.3	24.3
Other	20.7	20.4	20.5	21.2	21.8
Producers' durable equipment	25.8	27.4	27.6	28.9	29.4
Change in business inventories	4.0	6.0	6.7	4.0	1.5
Net exports of goods and services:	2.8	3.8	3.7	3.7	2.0

^{1/} Preliminary estimates by Council of Economic Advisers.
Department of Commerce except as noted.

Inventory changes have exerted an unusually great influence on economic activity since the fourth quarter of last year. Due largely to the buildup of steel inventories, business inventory stocks grew at an annual rate of nearly \$7 billion in the first quarter of this year. By the third quarter the rate of inventory accumulation had dropped to a \$1.5 billion annual rate. Much of the slowing down of inventory accumulation was due to the reduction of excessive steel inventories which were built-up last spring. International tensions in late October and early November may have prompted some businessmen to reevaluate their inventory position.

Although spending at a high rate on plant and equipment, businessmen have been more cautious in adding to their capacity. Manufacturing firms have, in recent years, devoted about 70 percent of their investment to replacement and modernization according to McGraw-Hill surveys of business capital spending plans. This has been reflected in the mildness of the advance of capital goods spending during the current expansion. Anticipated outlays for plant and equipment for the fourth quarter total 13 percent over the low second quarter of 1961. This rise compares with an increase of 19 percent in the first 6 quarters after the 1958 low and 40 percent during the like period after the 1955 low. New depreciation guidelines announced by the Treasury Department and the tax credit on investment enacted by Congress this summer are intended to increase the incentive of companies to replace and modernize their plant and equipment.

Manufacturers' new orders have been seesawing around the \$32 billion mark since January. Most of this fluctuation is traceable to the durable goods sector. Nondurable goods orders have either increased or been unchanged for each month this year.

Order backlogs of durable goods manufacturers, however, have declined almost continuously since February as sales constantly exceeded the inflow of new orders. At the end of September, unfilled orders of durable goods manufacturers totaled \$44.1 billion, compared with \$45.9 billion in January. Backlogs of nondurable goods manufacturers also declined over this period.

Government Demand

Government purchases of goods and services in the third quarter were at a \$119 billion annual rate compared with \$116 billion in the second quarter and \$107 billion a year earlier (see table 12). Spending by both the Federal Government and State and local governments was up substantially from year-earlier levels.

Table 12.--Government purchases of goods and services, third quarter 1961 to third quarter 1962, seasonally adjusted annual rates

Item	1961		1962		
	3rd.	4th.	1st.	2nd.	3rd.
	qtr.	qtr.	qtr.	qtr.	qtr. 1/
	Bil.	Bil.	Bil.	Bil.	Bil.
	dol.	dol.	dol.	dol.	dol.
Government purchases of goods and services 2/	106.9	112.1	115.2	116.0	119.0
Federal 2/	56.5	59.5	61.9	62.1	63.5
National defense	48.4	50.8	53.0	53.2	54.5
Other	8.7	9.2	9.6	9.5	9.6
State and local	50.4	52.6	53.3	54.0	55.6

1/ Preliminary estimates by Council of Economic Advisers.

2/ Less Government sales.

Department of Commerce except as noted.

Federal purchases increased to \$63.5 billion, annual rate, in the third quarter from \$62 billion in the second quarter. This was a 12 percent increase over the third quarter of last year. Most of the increase in Federal spending is attributable to intensified efforts in space exploration and other defense-

related activities. Defense outlays accounted for over \$6 billion of the \$7 billion increase in Federal purchases from the third quarter of last year. New appropriations for public works and highways, a Federal pay raise, and some deteriorations in the international situation all point to a further increase in Federal expenditures.

Similarly, new legislation enacted by Congress will have an important impact on Federal revenues. The 1962 fiscal year budget showed a deficit of nearly \$3 billion on an income and product account basis. The 1963 budget was originally expected to show a surplus of over \$4 billion, but a deficit for fiscal 1963 is now anticipated. Mainly because of the relatively moderate expansion in economic activity, total revenue for fiscal 1963 is expected to be below earlier estimates.

Purchases of goods and services by State and local Governments in the third quarter were reported by the Department of Commerce at \$55.6 billion, a substantial \$1.6 billion increase from the second quarter and a \$5.2 billion increase over the third quarter of 1961. These expenditures reflect the continuing increase in construction of schools, hospitals, roads, and municipal utility programs that usually accompany residential construction activity. Moreover, relatively low interest rates on State and local securities since early this year may have contributed to the sharp stepup in expenditures by State and local agencies.

Production and Employment

The Gross National Product registered gains from the second to the third quarter, but the increase was the smallest in the current expansion. Industrial production leveled out in the third quarter at 119 percent of 1957 output after inching up from 114 percent in January (see table 13). The sluggish advance of the overall index reflects a substantial decline in the primary metals industries more than offset by the expanding auto industry and moderate improvement in some other industries. The low point of the decline in production of steel and other primary metal industries was reached in July, and some improvement has occurred since then. Slight weaknesses in other basic-materials industries has offset the recent increase in steel production. A leveling out in transportation equipment and most other industries has resulted in the overall production index stabilizing at 119 from July through September.

Employment Up

Responding to expansion in output, nonagricultural employment increased by about 1.3 million workers from the third quarter of last year to the like period this year (see table 14). A further rise in employment was registered in mid-October after seasonal adjustment. Manufacturing employment reached a new post-recession high in October. The labor force also increased from year-earlier levels, but less than in proportion to the increase in employment. In the third quarter, the labor force was approximately 0.5 million persons larger than in the same period last year, a smaller increase than has occurred in most

Table 13.--Index of industrial production, third quarter
1961 to third quarter 1962, seasonally adjusted

(1957=100)						
Item	1961		1962			
	3rd.	4th.	1st.	2nd.	3rd.	
	qtr.	qtr.	qtr.	qtr.	qtr.	
Industrial production, total	112	114	115	118	119	
Industry groupings:						
Total manufactures	112	114	115	118	119	
Durable manufactures	107	109	110	114	115	
Nondurable manufactures	119	121	122	124	125	
Mining	98	101	99	101	102	
Utilities	134	135	137	140	143	
Market groupings:						
Final products	114	117	117	120	122	
Consumer goods	119	121	121	124	124	
Equipment, incl. defense	105	109	110	113	117	
Materials	110	111	113	115	116	

Board of Governors of the Federal Reserve System.

Table 14.--Employment and labor force, third quarter 1961 to third
quarter 1962, seasonally adjusted

(Millions of persons 1/)						
Item	1961		1962			
	3rd.	4th.	1st.	2nd.	3rd.	
	qtr.	qtr.	qtr.	qtr.	qtr.	
Civilian labor force	71.5	71.4	71.7	71.7	72.0	
Employment	66.6	66.9	67.7	67.7	67.9	
Nonagricultural	61.3	61.6	62.1	62.6	63.0	
Agricultural	5.4	5.3	5.5	5.2	5.1	
Unemployment	4.9	4.5	4.0	3.9	4.1	
Rate of unemployment, percent	6.8	6.9	5.6	5.5	5.6	

1/ 14 years of age and over.

Bureau of Census.

recent years. As a result, the seasonally adjusted rate of unemployment declined to 5.6 percent of the civilian labor force in the third quarter. Last year at the same time 6.8 percent of those in the labor force were unemployed on a seasonally adjusted basis.

Money and Credit

During 1962, the Federal Reserve System has acted to maintain relatively easy credit conditions. Excess reserves fluctuated in a narrow range around a \$500 million daily average. Free reserves (excess reserves less member bank borrowings), although averaging less this year than in 1961, amounted to over \$400 million on a daily average basis thus far in 1962.

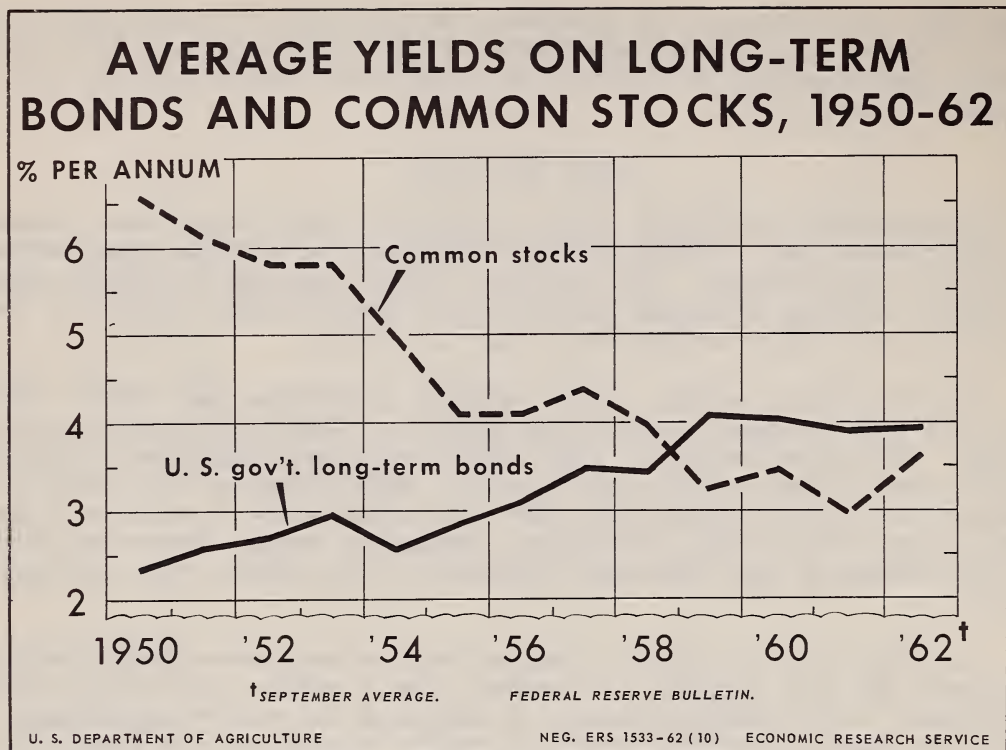
Federal Reserve actions, while designed to maintain easy credit conditions, also were designed to reduce the outflow of short-term capital to foreign countries. Effective January 1, 1962, member banks were permitted to pay higher interest rates on time and savings deposits. This action had the effect of increasing the flow of savings into time and savings deposit accounts at the expense of other short-term investments, tending to support short-term interest rates and helping to make them more competitive with similar rates in other countries.

On October 25, the Federal Reserve Board reduced member bank reserve requirements for time deposits to 4 percent from 5 percent, providing additional lending power to the banking system. By utilizing the reserve requirement mechanism in place of the more usual open market operations, the Federal Reserve Board has substantially increased member bank reserves without exerting undue upward pressure on short-term interest rates.

Interest Rates Decline

Interest rates in 1962 reflected in part Federal Reserve activities. The yield on treasury bills averaged somewhat higher in September than earlier this year, but the yield on long-term Government bonds, averaging 3.94 percent in September, was down slightly from 4.08 percent in January. Yields on State and local bonds and mortgages declined early this year, due to the increased demand for these types of securities by commercial banks. In September, the average yield on FHA mortgages was at its lowest level thus far this year, and the average yield on State and local securities was 3.28 percent compared with 3.55 percent in January.

The yield on common stocks increased sharply during May and June, as prices of stocks declined. Although the average dividend/price ratio of common stocks, at 3.60 percent in September, was up substantially from January, it is still less than the 3.94 percent yield on long-term Government bonds (see chart). This is the reverse of the traditional relationship between these yields. Until late 1958, dividend payments relative to stock prices usually were sufficiently high to hold the percentage cash return on investment in common stocks above the return on long-term Government bonds.



Consumer Credit Increases

Consumer installment credit outstanding has been increasing on a seasonally adjusted basis since October of last year. Total installment credit outstanding in August was \$45,514 million compared with \$44,967 million in July and \$42,090 million in August 1961. Most of the increase over the past year was in automobile paper, but all types of installment credit participated in the increase. By September, the rate of increase of installment credit outstanding had slackened from that of April and May.

Price Trends

The index of wholesale prices of all commodities in the third quarter was 100.7 (1957-59=100), less than 1 percent above a year ago and less than 1 percent above the 1957-59 average. Prices of nondurables were somewhat higher than a year ago. Among the nondurables, prices of processed foods and apparel advanced somewhat. Among the durables, increases in prices of lumber and wood products were more than offset by decreases in prices of household appliances, chemicals, and rubber products. Increases and decreases in the prices of wholesale commodities that did occur were relatively small and probably attributable to cyclical and seasonal influences rather than a secular trend.

Urban consumer prices continued to increase very gradually during the past year with most of the upward pressure coming from services. The Consumer Price Index for all items was at 105.7 (1957-59=100) in the third quarter, up from 104.4 a year before. The service component of the index rose from 107.7 in the third quarter of last year to 109.5 in the same quarter this year. Food prices were up, but the index for apparel items was unchanged. Increased competition at the retail level appears to have helped contain the rise of consumer prices. Producers appear to be encountering increasing difficulty in passing on cost increases to consumers.

Table 15.- Indexes of wholesale and consumer prices for September and December 1961, and March, June, and September 1962

Item	(1957-59=100)					
	1961			1962		
	Sept.	Dec.	March	June	Sept.	
Wholesale prices	100.0	100.4	100.7	100.0	101.2	
Durable goods	101.3	101.1	101.2	101.0	100.9	
Nondurable goods	99.2	99.7	100.2	99.3	101.2	
Consumer prices	104.6	104.5	105.0	105.3	106.1	
Durable goods	101.0	101.1	100.9	101.6	101.6	
Nondurable goods	103.1	102.6	103.2	103.4	104.7	
Food	102.6	102.0	103.2	103.5	104.8	
Services	107.9	108.5	109.0	109.5	109.8	

U. S. Department of Labor.

Prices paid by farmers for family living items averaged about 1 percent higher thus far in 1962 than during the corresponding period a year earlier. Prices paid for clothing and used cars show the biggest increases over 1961. On the other hand, 1962 prices for housing (building materials and household furnishings) are slightly lower.

Balance of Payments

Balance of payments difficulties proved to be an unsettling factor in the U. S. economy during late 1961 and early 1962. But during the first half of this year our balance of payments deficit was cut by more than one-half to about \$1.4 billion at an annual rate. The decline of foreign capital inflows was reversed; our surplus on goods and services account increased; U. S. Government grants and capital payments to foreigners declined by almost \$1 billion at an annual rate; and outflows of private capital were sharply reduced.

Merchandise exports declined slightly in July and August, after seasonal adjustment, but rebounded sharply in September. Imports also rose in September. For the third quarter, as a whole, merchandise exports and imports were unchanged from the second quarter. October estimates place the deficit for the third quarter a little above that of the second quarter. However, capital flows have fluctuated widely over the past year and have sometimes made the difference between a deficit or surplus in our balance of payments.

Short-term capital movements have been increasingly important in our balance of payments picture. The trade balance on short-term investments shifted sharply from a deficit of over \$300 million for the first quarter to a small surplus for the second quarter. Nonrecurring transactions accounted for about one-third of the second quarter improvement, but the remainder reflected a decline of almost \$250 million in the flow of short-term funds to Japan.

During the past year, short-term interest rates rose in Canada, Germany, and the Netherlands, declined in the United Kingdom, and were unchanged in France. The sharp rise in the Canadian short-term interest rate reflected the recent Canadian currency crisis. In the United Kingdom the decline in the short-term rate resulted from the easing of balance of payments difficulties in that country and subsequent lowering of the discount rate by the Bank of England. Consumer prices in most Western European countries and the United Kingdom increased relative to prices in the United States during the last half of 1961 and early 1962. This implies some improvement in the ability of U. S. companies to meet foreign competition.

The next issue of The Demand and Price Situation is scheduled for release in February 1963. The Situation will be published quarterly rather than monthly.

CURRENT COMMODITY SITUATION

LIVESTOCK AND LIVESTOCK PRODUCTS

Meat Animals

Since mid-1962, prices for each species of meat animal have been higher than in the last half of 1960 or 1961 and probably will continue so during the rest of the year. Prices for cattle and hogs likely will average a little lower in 1963 than this year, but prices for sheep and lambs probably will continue above year-earlier prices next year.

Higher livestock prices and relatively stable feed grain prices have given a strong stimulus to livestock production. Farmers are adding about 2.5 million head to cattle and calf inventories this year, thereby increasing productive potential and supplies available for slaughter in 1963. The 1962 fall pig crop probably will be 2 or 3 percent larger than the 1961 fall crop and a 3 or 4 percent gain seems likely in next spring's crop. These crops will provide the bulk of slaughter supplies next year. Sheep numbers have been declining, but higher prices will encourage producers to slow or even reverse this decline in 1963.

Beef production in 1962 is setting a new record, probably about 15.5 billion pounds, slightly more than 1 percent above last year's output. A strong demand for beef this year is resulting in imports above the billion-pound level. Civilian consumption of beef in 1962 likely will total about 16.2 billion pounds--up about 2.5 percent from last year. Per capita consumption for all of this year probably will rise about a pound to a record level of 89 pounds. The strong demand for beef has been accompanied by an increase in prices received by farmers and the average farm price for the year will exceed 1961 by about 60 cents per 100 pounds above the \$20.20 average in 1961.

With a beginning 1963 inventory of about 102 million head of cattle and calves, cattle slaughter in 1963 is expected to total about 28.0 million head, with total beef output rising to about 16.0 billion pounds. Imports of meat are likely to continue at a high level and per capita consumption probably will increase by about a pound. Cattle prices next year are expected to average slightly below this year. However, marketings are likely to be up sufficiently next year to maintain cash receipts for cattle marketings.

Hog slaughter in 1962 is totaling near 82.7 million head compared with 82.1 in 1961. This increase is being accompanied by a gain of about three-fourths of a pound in per capita pork consumption and a lower average price to farmers for hogs of about 20 cents per 100 pounds from \$16.60 in 1961.

Hog prices are declining seasonally this fall but likely will continue near or slightly above prices last fall. During the first half of 1963, when slaughter supplies come from this fall's crop, slaughter probably will be a little above and prices a little below a year earlier. If the gain in next spring's farrowings is 3 or 4 percent--which now seems likely--pork supplies would not be unduly large but would result in prices next fall being moderately below prices this fall.

Sheep and lamb slaughter in 1962--about 16.9 million head--probably is large enough to reduce January 1, 1963 inventories to the lowest level since 1950. The outlook for 1963 is for slaughter to be considerably smaller than in 1962, possibly small enough to slow or even halt the downward drift in sheep and lamb numbers next year. Prices next year likely will continue above year-earlier levels, with the greatest difference registered in the first few months next year.

Total meat production next year is expected to be large enough to provide consumers about a pound more per person than the 162.5 pounds currently estimated for this year. Both beef and pork will be up, more than offsetting small reductions in veal and in lamb and mutton. Retail meat prices next year may average slightly below prices this year.

Dairy Products

Milk production in the first 9 months of 1962 was about 1 percent above a year earlier. For all of 1962 and again in 1963 production is expected to reach new records. Farm marketings continue to gain more than production. With commercial demand increasing only slightly, CCC purchases of milk equivalent in 1962 are making a new record and in 1963 may be equally large.

These estimates and projections assume continuation of the present dairy program with supports at 75 percent of parity and little change in the international situation. However, proposals for new dairy legislation are expected to be made to Congress in 1963.

Cash receipts from the farm sales of milk and cream in 1962 are running about 1 percent below the record of 1961 and are expected to be less in 1963 than this year. Although there are no official estimate of net income for dairying, it appears that net income of farmers from milk and cream in 1962 will decline more than gross income because of the continuing rise in prices farmers pay. In 1963, both gross and net income from dairying are expected to decline as a result of lower farm prices. Prices received by farmers during the first quarter of 1963 will be lower than a year earlier because of the lower support level, but may approximate 1962 levels during the rest of 1963.

Milk production may reach a new record of around 127.5 billion pounds in 1963, 1 billion more than estimated for 1962. This is expected because of the persisting gain in production per cow and the relatively small decline in number of cows. Adverse weather conditions over much of the South and Northeast caused production to fall below year-earlier levels in summer months and limited 1962 output.

Although production is gaining about 1 billion pounds in 1962 over 1961, farm marketings of milk and cream will rise more--about 1.8 billion pounds -- because use of milk on farms continues to decline as the number of farms with cows decreases. This rise in marketings is coupled with a reduction of 1.3 billion pounds of milk equivalent in the accumulation of commercial stocks of dairy products. As a result, CCC purchases of milk equivalent in 1962 are expected to rise about 3 billion pounds over 1961, bringing purchases to about 9 percent of the milkfat and 13 percent of the milk solids-not-fat produced.

Civilian use of milk from all sources in 1962 may be about 1.5 billion pounds above the 115.5 billion pounds of milk equivalent consumed in 1961. The gain is due to increased sales of fluid milk and cream and to heavier donations of Government-owned dairy products for distribution through welfare and National School Lunch programs. The 1962 population increase is an important cause of the consumption gain. Consumption this year, excluding that arising from CCC donations, is falling slightly as a result of lower use of milk on farms. Consumption from commercial sources, which excludes farm use and CCC donations, has been sustained mainly by increases in sales of fluid products, while sales of manufactured products fell. This year, consumption per person of milk in all forms, which has declined since 1956, is about the same as last year. The decline is likely to resume in 1963.

For the first 10 months of 1962, prices farmers received for milk averaged 12 cents below 1961 and for 1962 as a whole will average about \$4.10 compared with \$4.22 in 1961. Prices for milk used in bottling averaged only 5 cents per hundred pounds lower for January-October than a year earlier, but, for the year, probably will be lowest since 1956. The response of farm prices to changes in the support level was lessened by drought in the Northeast, Middle Atlantic and Southern States. The weather checked production increases and held the percentage of milk used for fluid purposes at higher levels than otherwise would have occurred. In the Pacific States, prices also were maintained by the increasing percentage of milk used for fluid purposes. In January-March the average price for manufacturing milk was \$3.38 per hundred pounds, near the support level of \$3.40, is averaging about \$3.20, slightly above the present support level, during the last 3 quarters of 1962.

Poultry and Eggs

Egg production in 1963 probably will slightly exceed the 175 million cases in prospect for all of 1962. Output in the early part of 1963, however, may be down somewhat from a year earlier because of a smaller laying flock. Egg prices in 1963 are expected to show less of a seasonal rise than in 1962 and to average somewhat lower for the year as a whole.

The Nation's laying flock in early 1963 is likely to be slightly smaller than a year earlier. Potential layers on January 1, 1963, probably will be down more than 1 percent from a year earlier because of increased hen slaughter. Anticipated gains in egg production per layer may not be great enough to offset completely the smaller number of layers early in 1963.

Consequently, egg production during this period may be lower than in the same months of 1962. In the second half of the year, the number of layers is likely to be restored to the average for all of 1962, and egg production is likely to exceed the 1962 level, reflecting the expected extension in the up-trend in egg output per layer. Per capita consumption of eggs through 1963, however, is expected to continue the uninterrupted decline that began in 1952.

A greater output than in 1962 of broilers and turkeys appears in prospect for 1963. Producers are receiving higher prices for both of these products in 1962 than in 1961.

Current hatchery data indicate that broiler production in early 1963 will be up about 20 percent from the level a year earlier. This large output is expected to be accompanied by lower prices than the year before. Higher production and lower prices are likely to continue at least through the early part of 1963.

Broiler prices in early 1963 may not be sufficiently low to force a sharp reduction in output, and a seasonally expanding supply of hatching eggs will tend to encourage larger production of broilers. Most of the special factors which lent unusually strong support to broiler prices in the middle part of 1962--such as the strong export demand, rising red meat prices, declining turkey consumption, and higher government purchases of young chickens for the School Lunch Program--are unlikely to be duplicated in 1963. Chicken consumption per capita in 1963 is expected to be record high--significantly above the 29.5 pounds in prospect for 1962.

The turkey crop in 1963 probably will be larger than the 92 million birds currently estimated for 1962. Three factors in particular will create pressures for a larger output: (1) A reduced breakeven price for the industry as a whole compared with the 1957-61 period; (2) significantly higher turkey prices in 1962 than in 1961; and (3) smaller frozen turkey stocks in prospect for the beginning of 1963 compared with a year earlier. In a 15-State report, as of October 1, turkey producers expressed intentions to keep slightly more breeder hens in 1963 than in 1962. A national breeder flock this large could provide the basis for a large increase in turkey production. Because uncertainty surrounded production plans early this year, the potential of the 1962 breeder flock was not fully utilized.

Wool

Domestic consumption of wool--mill consumption plus the raw wool equivalent of the import balance of foreign trade in wool textile products--likely will total 560 million pounds in 1962. This will be 5 percent greater than in 1961 and 15 percent more than the 1955-59 average. This expected increase in domestic consumption in 1962 is due to a substantial increase in imports of apparel wool textile products, in moderate increases in mill use of apparel and carpet wools, and in imports of carpeting and rugs. In 1963, domestic

consumption of wool is expected to increase moderately, reflecting a continued increase in imports of wool textile products, a relatively stable mill use of apparel wool, and an increase in mill use of carpet wool.

Mill use of apparel wool amounted to 212.9 million pounds, scoured basis, during the first 9 months of 1962, 9 percent above the same period of 1961. The worsted system's share of the total increased. Also a larger proportion of the finer grades of wools are being used in 1962 than a year earlier. Mill use of apparel wool in 1962 is expected to total about 270 million pounds, based on the seasonally adjusted rates of mill use during the first 9 months, 3 percent above 1961. Inventories of gray and finished fabrics are less than they were at midyear and unfilled orders, although down from midyear, are above year-earlier levels. The downtrend in mill use since early 1962 likely will level off, resulting in mill use of apparel wool in 1963 at about the same level as this year.

During the first 9 months of 1962, carpet wool mill use totaled 108.6 million pounds, scoured basis, 2 percent above a year earlier. Mill use of carpet wool in 1962 is expected to total 150 million pounds, scoured basis, based on the seasonally adjusted rates of mill use during the first 9 months. This will be 2 percent above 1961 but less than that used in 1959 and 1960. A further moderate increase in mill use of carpet wool can be expected in 1963, as consumer incomes and home and office building construction rates are expected to continue slowly upward.

The raw wool equivalent of the U. S. foreign trade in wool textile products will amount to a record high import balance of approximately 140 million pounds in 1962, surpassing the previous high of 127 million in 1960. Imports of wool textile products likely will be 14 percent above 1961 and 10 percent greater than the previous high in 1960; exports will be about the same to slightly higher. Imports of apparel wool items--tops, yarn, fabric, blankets, wearing apparel, and miscellaneous manufactures--in 1962 probably will total a record 65 million pounds compared with the previous high of 55 million in 1960 and the 31 million average of 1955-59. Imports of carpeting and rugs likely will total a record 30 million pounds in 1962 compared with the former high of 29 million in 1960 and the 16 million average of 1955-59.

Imports of dutiable wool are expected to total 105-115 million pounds, clean content, during 1962 and approximately 100-110 million in 1963 compared with 90 million in 1961. This increase in imports above 1961 reflects the strong mill demand in early 1962 and declining U. S. production of shorn wool. During the first 8 months of 1962, dutiable imports amounted to 82.8 million pounds, 36 percent above 1961 and the highest since 1956.

Imports of duty-free wools are expected to amount to 135-145 million pounds, clean content, during 1962 and slightly above this in 1963 compared with 157 million in 1961. These lower imports during 1962 reflect a working down of commercial carpet wool stocks and lower mill use during the early months

of 1962. With mill use increasing since midyear, a buildup in stocks is likely during the latter part of 1962 and early 1963. During the first 8 months of 1962, duty-free imports totaled 89.6 million pounds, 18 percent less than in 1961.

The marketing year under the wool incentive payment program of the National Wool Act is being changed from an April-March period to a calendar year basis. In making this transition, the 1963 marketing year will be April 1 through December 31.

The shorn wool incentive level for the 1963 marketing year has been established at 62 cents per pound, grease basis--the same as during the first 8 years of the program. The mohair support level for the 1963 marketing year has been set at 76 cents per pound, grease basis--2 cents above the 1962 marketing year. The average price received by producers for shorn wool in the 1962 marketing year (April 1, 1962-March 31, 1963) likely will be moderately higher than the 42.9 cents, grease basis, received in 1961, as prices thus far this year have been as much as 10 percent above a year earlier.

In the September referendum, producers voted approval of the continuation of the wool and lamb promotion program for the 1962 through 1965 marketing years. As in previous years, deductions will be at the rate of 1 cent per pound for shorn wool marketed and 5 cents per hundred pounds of liveweight of unshorn lambs marketed during the 1962 marketing year. Thereafter, the deductions shall be at such rates as the Secretary of Agriculture and the American Sheep Producers Council may agree upon. They cannot be in excess of the rates for 1962.

Wheat

CROPS

The total wheat supply for the marketing year which began July 1, 1962, is now estimated at 2,405 million bushels, about 10 percent below last year and the record in 1960-61. This decline was caused by a reduction in both carryover and production. Domestic disappearance may show little change from recent years, about 605 million bushels, while exports may be substantially smaller, 600 million bushels, as a result of the near-record world wheat crop expected in 1962-63. Total disappearance of 1,205 million bushels would lead to a carryover on July 1, 1963, of about 1,200 million bushels. With the smaller 1962 crop, the season average price received by farmers is likely to be above the effective support level.

The outlook for wheat in 1963-64 has been changed from the original forecast, as a result of the Food and Agriculture Act of 1962. Last August, farmers approved marketing quotas for the 1963 crop of wheat, and seeding of winter wheat was guided largely by the provisions of the 55-million-acre allotment program. The new Farm Bill does not require producers to change their plans, and they continue to be eligible for price support at \$1.82 per bushel--if they do not exceed their acreage allotment.

The new legislation provides a voluntary diversion program whereby farmers can divert 20 to 50 percent of their wheat allotment, or up to 10 acres in the case of small farms, to conservation users. Farmers participating in the diversion program are eligible for payments on the acres diverted and a payment of 18 cents per bushel on the normal production of the acreage devoted to wheat. This, in addition to the low rate of \$1.82, brings the support level to \$2.00, the same as this year's support price. One important aspect of the program is that growers must reduce acreage by the agreed amount or they will lose price support eligibility as well as all payments for the voluntary portion of the program.

The voluntary diversion program is expected to reduce harvested acreage to about 47 million acres, around 7 million below that which would otherwise have been harvested. Assuming average growing conditions, production would be about 1,225 million bushels, and total disappearance in 1963-64 also is expected to be at this level. Thus, stocks on July 1, 1964, would not increase but would be held at the 1,200-million-bushel level.

The 1962 Farm Bill also provides for a permanent wheat program to begin with the 1964 crop. This is a marketing certificate program, which provides price support at a higher level for wheat used for domestic food and some exports than for that used as feed. The certificate plan would permit the Government to reduce its wheat stocks while maintaining farm income. This program will become effective only if it is approved in a referendum which will be held next summer. If farmers reject this program, price support at 50 percent of parity would be available only to those who comply with acreage allotments.

Feed Grains

The total supply of feed grains for 1962-63 is estimated at 210 million tons, down 7 percent from last year and 9 percent below the record 1960-61 supply. The 1962 feed grain crop, estimated in October at 139 million tons, is slightly below the 1961 crop and 11 percent below the record output in 1960. The 1962 crop is expected to fall short of total domestic and export requirements, reducing carryover stocks into 1963-64 down to around 57 million tons, about 14 million tons below the 71-million-ton carryover into 1962-63. Smaller supplies are the result of reduction in feed grain acreage in 1961 and 1962 through farmer participation in the Feed Grain Program. Total acreage of feed grains in 1961 and 1962 was down about 18 percent from the acreage harvested in 1959-60, the base period for the program.

Total disappearance of feed grains reached a new record high of 155 million tons in 1961-62, 9 million more than in the preceding year and 40 million more than 5 years ago. With increasing livestock numbers in prospect in 1962-63, domestic consumption is expected to continue heavy, probably exceeding the high level reached this past year. Total exports for 1962-63 are expected to decline to around 14 million tons, 3 million less than last year but larger than exports in any other previous year. About two-thirds of these exports were sold through commercial channels without Government assistance.

Much of the reduction in feed grain supplies for 1962-63 is in corn. The total corn supply for 1962-63 is estimated at 5,126 million bushels, about 500 million bushels less than in 1961-62. Sorghum grain and oat supplies are slightly smaller than last year, while the barley supply is slightly larger.

Prices of feed grains and high-protein feeds in 1962-63 may average near or a little above the 1961-62 levels. Demand for feed is expected to continue generally strong during the coming year. Livestock production is increasing and livestock-feed price ratios continue generally favorable, particularly for hog and cattle producers. The Feed Grain Program, which played an important role in influencing prices in 1961-62, contains practically the same provisions for 1962 price supports and acreage diversion payments as in 1961.

Supplies of high-protein feeds for 1962-63 are expected to be a little larger in total tonnage than in 1961-62, but there is expected to be only a slight increase in the quantity available per animal unit. The increase is largely the result of a prospective 4 percent increase in soybean meal. Generally good demand in prospect for protein feeds, both domestic and foreign, may result in a little higher level of high-protein feed prices in 1962-63 than in 1961-62.

Total supplies of hay for 1962-63 are estimated at 135 million tons, slightly below last year but close to the 1956-60 average. Hay supplies are larger than last year in Central and Western regions but are well below average in many of the Eastern and Southern States, where drought curtailed production of hay and forage crops this year.

The 1963 Feed Grain Program recently enacted by Congress is a voluntary acreage diversion program similar to the 1961 and 1962 programs. The principal differences are: (1) A provision for making a payment to producers, in the case of corn 18 cents per bushel, in the form of marketable certificates, plus a corn loan of \$1.02 per bushel, instead of the price support loan of \$1.20 per bushel as in the past 2 years, with comparable supports for sorghum, grain and barley; (2) the acreage diversion payment will be based on up to 50 percent of the 1959-60 production on the land diverted from the farmer's base acreage, valued at the county support rate. The provision for the 60-percent payment rate for land diverted from 20 to 40 percent of the base was excluded from the 1963 program; and, (3) farmers are required to divert the entire acreage signed up for diversion to be in compliance.

Oilseeds, Fats and Oils

The total U. S. supply of edible fats, oils, and oilseed during the 1962-63 marketing year which began on October 1 is forecast at a record 16.5 billion pounds (in terms of oil), about 4 percent above the previous record quantities of last year. The increase in supply is due to larger starting stocks--mainly of soybeans and butter--as production in 1962-63 likely will fall slightly below the 1961-62 level.

Domestic disappearance of food fats in 1962-63 is expected to continue at about the annual rate of 46 pounds (fat content) per person. Total domestic use should increase by about 125-150 million pounds, in line with population growth. These prospects indicate that the quantities of edible vegetable oils, lard, butter, and soybeans available for export and carryout stocks in 1962-63 will be a record 7.2 billion pounds, about 0.4 billion pounds or 6 percent greater than last year.

Prospects are that exports of food fats (including the oil content of soybeans) through September 1963 may set a record of about 4.9 billion pounds, approximately 20 percent above the 4.1 billion pounds exported during 1961-62. This volume of exports would account for about one-third of the 1962-63 U. S. output of these commodities.

The 1962-63 exports of edible vegetable oils (cottonseed and soybeans) are forecast at a record 2.2 billion pounds, up about 20 percent from the 1.8 billion pounds shipped abroad last year. Most of the increase is expected to be in soybean oil with practically no change in cottonseed oil. The Food for Peace Program (all Titles of P.L. 480) is expected to account for 1.3 billion pounds compared with 1.0 billion in 1961-62. Most of the expansion is expected under Titles I (sales for foreign currencies) and IV (long term credit sales) of P.L. 480, which should more than offset a small drop in foreign donations because of the shift to butter. New programs under Title I have been announced for Morocco and Tunisia, and other new ones for large quantities are expected. In addition, large quantities again will be programmed to countries such as Pakistan, Turkey, Egypt and Israel. Due to reported weather damage to the Spanish olive crop, exports of soybean oil for dollars to Spain may be at least as large as the 444 million pounds shipped in 1961-62. Should European countries decide to increase their stocks, which currently probably are below last year, exports could possibly exceed the above forecast of 2.2 billion pounds.

Soybean exports in 1962-63 are forecast at a record 175 million bushels, up 14 percent from 1961-62. Exports to Japan, the major single market for U. S. soybeans, are expected to increase slightly as the upward trend in consumption continues. Europe will continue to purchase more U. S. soybeans because of expanding demand for meal and desire to utilize the large crushing industry at maximum capacity. Mediocre crops in Communist China, as well as expanding demand, will keep Chinese exports of soybeans and other oilseeds at low levels in 1962-63.

The 1962-63 domestic supply of soybeans is placed at 730 million bushels, up 31 million from last year. The increase is attributed to larger beginning stocks on October 1, which more than offset the drop in output. Soybean crushings in 1962-63 are forecast at a record 450 million bushels, up 3 percent from the 439 million bushels last year.

If soybean crushings and soybean export estimates are reasonably accurate, carryover stocks of old-crop beans on October 1, 1963, may be around 60 million bushels, about the same as this year but below the record 62 million

bushels of October 1, 1959. Most of the carryover of 1962-crop beans likely will be in the hands of the CCC.

Prices to farmers for 1962-crop soybeans should approximate the \$2.28 per bushel received for their 1961 crop. Farm prices during the heavy harvesting season this fall are averaging at about the national support rate of \$2.25 per bushel.

Cottonseed production in 1962-63 is placed at 6.1 million tons, about 2 percent above 1961. Prices to farmers for 1962-crop cottonseed are averaging about \$48 per ton, basis grade 100, slightly above the CCC purchase price of \$44 per ton but less than the 1961-62 season average of \$51.10.

Lard supplies (including farm) for the 1962-63 marketing year are forecast at 2,600 million pounds, about the same as in 1961-62. Lard prices (tanks, loose, Chicago) probably will average at least 9.0 cents per pound for the entire marketing year compared with 8.6 cents in 1961-62. Little change in domestic use and exports is expected.

The total supply of peanuts (farmers stock basis) in the 1962-63 marketing year which began August 1 is estimated at 2,065 million pounds, 1 percent less than last year. Supplies again will be in excess of domestic needs for food and farm use, and CCC will acquire the surplus under the support program. As in the recent past, prices to growers for 1962-crop peanuts likely will average at about the support rate of 11.1 cents per pound or about the same as last year.

Flaxseed supplies during the 1962-63 marketing year which began on July 1 are placed at 35 million bushels compared with 27 million bushels last year. Flaxseed crushings are expected to total about 19 million bushels, about the same as last year. Another 2-3 million bushels will be needed for seed, leaving 13-14 million bushels of flaxseed available for export during 1962-63 and carryover stocks next June 30. Prices to farmers for 1962-crop flaxseed probably will average at about the support level of \$2.90 per bushel, around 35 cents below the \$3.25 received for the small 1961 crop.

Fruit

Consumer demand for fresh and processed fruits in 1963 is expected to be as good as or better than this year, reflecting continued high incomes of the increasing population. Prospective supplies of fruit during the rest of this fall and in the first half of 1963 are a little larger than in the same period of 1961-62. Early season prospects for the 1962-63 citrus crop point to production somewhat larger than the above-average 1961-62 crop. But the 1963 deciduous crop may not be as large as the above-average 1962 crop, unless growing conditions are unusually favorable.

Prospects for U. S. exports of fruit in the 1962-63 marketing season do not appear quite as favorable as in 1961-62. For citrus fruits, the export volume of fresh oranges may be about the same as last season, for lemons down

somewhat, but for orange juice up substantially because of increased supplies at reduced prices. For deciduous fruits, exports of fresh apples probably will be somewhat below the unusually large volume in 1961-62, due to increased production of apples in Western Europe and expected lighter movement to Canada. Prospects are for a slight increase in exports of dried prunes, but for a sharp reduction in raisins because of smaller U. S. raisin output and higher prices. Exports of canned deciduous fruits should be up moderately to substantially, due to increased U. S. supplies of peaches and fruit cocktail.

Citrus production is expected to trend upward over the next few years, mainly because of new plantings starting to bear and older trees increasing in bearing surface, especially in Florida. For 1962-63, prospective production of early, midseason, and Navel oranges is about a tenth larger than in 1961-62 because of large increases in both Florida and California, where growing conditions have been more favorable than last season. For Valencia oranges, prospects for production in Florida are about as favorable as a year ago, but in California more favorable than last year. Prospective grapefruit production in 1962-63 is a little smaller than in 1961-62, since an increase in Florida is more than offset by decreases in other States. Prospects for the 1962-63 lemon crop are not as favorable as a year ago. In Florida, the 1962-63 production of tangerines is expected to be larger and that of tangelos smaller than last season. Texas citrus production will be very light because of last winter's freeze.

During October, fresh market shipments of 1962-63 crop Florida oranges and grapefruit increased seasonally, resulting in lower prices at shipping points and on the terminal auctions. By late that month, shipping-point prices for both oranges and grapefruit had dropped to approximately year-earlier levels. Market prospects for the new orange crop do not seem as favorable as they were last fall and winter, mainly because the orange crop is larger and carryover stocks of frozen and canned juice are heavier than a year ago. Market prospects for grapefruit appear better than for oranges, but they too may not be as favorable as a year ago.

Although total production of deciduous fruits is expected to trend slowly upward over the next few years, production in 1963 may not be up to the above-average tonnage in 1962, when growing conditions generally were favorable. The 1962 crop was about 2 percent below 1961 but 4 percent above average. Remaining supplies of fresh apples, pears, and cranberries continue seasonally large. Year-end cold-storage stocks of apples are expected to be larger in the Western States and smaller in the Central and Eastern States than on January 1, 1962. In late October, shipping-point prices for apples were generally above comparable prices a year earlier; those for pears were below.

Output of canned deciduous fruits in 1962-63 may not be greatly different from the record 1961-62 pack. In California, the new pack of canned clingstone peaches and fruit cocktail each are record large. In contrast, the 1962 pack of frozen deciduous fruits and berries (excluding juices) is expected to be moderately smaller than the 1961 pack, chiefly due to a reduction in red tart cherries. Output of dried fruits will be down, mainly because of a sharp decrease in raisins.

Total production of the 4 edible tree nuts (almonds, filberts, pecans, and walnuts) in 1963 should be considerably larger than the relatively light 1962 crop. Substantial increases can be expected in almonds and pecans, along with a decrease in walnuts. With heavy reductions in pecans, almonds, and filberts more than offsetting a substantial increase in walnuts, total production in 1962 not only is considerably smaller than in 1961 but the smallest since 1954. Grower prices for the 1962 crops of almonds, filberts, and pecans are expected to average above 1961 prices, but for walnuts the 1962 price probably will be lower.

Commercial Vegetables

Fresh

Remaining supplies of fresh vegetables available for marketing this fall are materially smaller than a year earlier and a little smaller than the 1951-60 average. Among major items, remaining supplies of carrots are materially larger than a year ago and those of Brussels sprouts and cauliflower probably are a little larger. Also, supplies of dry onions from the late summer crop probably are larger than a year earlier. Supplies of all other major fresh items appear smaller than a year earlier.

Processed

Supplies of canned vegetables available in the 1962-63 season are expected to be substantially larger than both last year and the recent 10-year average. These larger supplies are mainly the result of a fourth larger production of tomatoes for processing. Record large supplies are expected for canned snap beans, sweet corn, and most tomato items. Supplies of frozen vegetables probably are slightly to moderately smaller than last season. But most items are in ample to heavy supply. Costs of processing and marketing the 1962 packs of canned and frozen vegetables are expected to be higher than a year earlier. This generally would indicate higher prices at the f.o.b. and retail levels. However, with substantially larger supplies of most canned items available, overall prices for the season are expected to average slightly to moderately below those of last season. Among frozen vegetables, several major items probably will find stiff competition because of large supplies of canned items. Thus, both f.o.b. and retail prices of most frozen vegetables probably will average near those of last season.

Potatoes and Sweetpotatoes

Supplies of potatoes available for fall and winter marketing are smaller than a year ago but substantially larger than the 1951-60 average. Combined production of late summer and fall potatoes is 7 percent smaller than a year earlier but 18 percent larger than the recent 10-year average. Prices to growers into early spring are expected to continue above the depressed levels of a year ago.

Substantially more sweetpotatoes are available than a year ago. Output is 9 percent larger than in 1961 but 7 percent below average. Consumer demand for the 1962 sweetpotato crop is expected to be near that of 1961. Prices are

expected to rise seasonally into spring. But, with larger supplies available, prices for the 1962 season as a whole probably will average somewhat below those of last season.

Dry Beans and Peas

Total supplies of dry edible beans appear to be about the same as those of last season. Supplies of both colored and white classes of beans are near those of a year earlier. Export demand is expected to be stronger this season than last, and, with domestic demand about the same, prices to growers for the season as a whole probably will average slightly to moderately above those of last season.

Materially larger supplies of dry field peas are expected this season than last, as a result of a 42 percent larger crop in 1962. However, export demand is expected to be up and prices for the season may average near those of a year earlier.

Cotton

The carryover of all kinds of cotton on August 1, 1962, was approximately 7.8 million bales, about 600,000 bales more than a year earlier. Carryover at the end of the current season also is expected to increase because of a larger crop for 1962 than a year earlier and a prospective decline in disappearance during the 1962-63 crop year. No major changes in demand for cotton are assumed because of international tensions or hostilities.

As of October 1, the 1962 crop was estimated by the Crop Reporting Board to total 14.7 million running bales, about 400,000 bales larger than in 1961 and the largest crop since 1953. The decline in disappearance reflects an expected drop in mill consumption to around 8.6 million bales, 400,000 below the 9.0 million consumed in 1961-62. This decline from a year earlier is indicated by a slowing down in the rate of consumption in recent months.

The national acreage allotment for Upland cotton for 1963 has been announced at 16.0 million acres, not including the national acreage reserve, about 2 million acres smaller than in 1962. However, this may not be the final national acreage authorized for the 1963 crop because of possible new legislation. The acreage allotment for extra-long staple in 1963 is 149,880 acres, nearly 50,000 acres larger than 1962.

Ginnings of the 1962 crop through mid-October totaled 7.3 million bales compared with 5.6 million during the same period a year earlier. The proportion of the total estimated crop ginned prior to October 17 during the current season was 49 percent, the largest proportion through the comparable period since 1956.

U. S. exports of cotton during the 1962-63 marketing year are expected to total around 5.0 million bales, approximately the same as in 1961-62. Consumption of cotton in the foreign free world during 1962-63 is expected to be

maintained near the high level of the previous year. Production is apt to be up over a million bales and there may be some increase in cotton stocks in the foreign free world. The decline in U. S. exports during 1961-62 from a year earlier was primarily associated with the working down of stocks by about a million bales in the foreign free world.

Prices received by farmers for cotton during the 1961-62 crop year were the highest since 1958-59, and the value of lint cotton and cottonseed was the highest since 1953. Spot market prices for cotton have been relatively steady in recent weeks, after trending downward for several months. The average price for the month of October was 33.01 cents per pound compared with 33.02 cents in September and 33.36 cents in August. Through October 12, 988,000 bales of cotton from the 1962 crop had been placed under loan compared with 574,000 bales to approximately the same date from the 1961 crop.

Imports of cotton textiles in the first 8 months of calendar 1962 were equivalent to 448,000 bales of cotton and exceeded cotton textile exports by 136,000 bales. In the first 8 months of 1961, imports were equivalent to 251,000 bales, 81,000 less than exports. In August, imports were 55,000 bales, up 7,000 bales from July and 17,000 bales above imports in August 1961. Exports in August were equivalent to 38,000 bales, up from 37,000 bales in July and down from 42,000 bales in August 1961.

Tobacco

Further gradual increases in cigarette and cigar consumption seems likely in 1963. No appreciable change in smoking tobacco is foreseen for the year ahead, and use of chewing tobacco and snuff may continue a downward drift. Exports of leaf tobacco in the fiscal year ending June 30, 1963, may be a little lower than in 1961-62.

The 1962 output of cigarettes is estimated at 539 billion--2 percent above 1961 and a new high. The rate of increase will be smaller than during the past 7 years, when annual gains were mostly 3 to 4 percent. U. S. smokers use about 95 percent of the output, and the other 5 percent is exported and shipped to Puerto Rico and other smaller U. S. islands. The total quantity of tobacco used for cigarette manufacture in 1962 is likely to reach a new high of about 1,240 million pounds (unstemmed-processing weight). Nine-tenths of the total will consist of domestic types and the other one-tenth, imported.

Consumption of cigars (including cigarillos) in 1962 may approximate 7,180 million--about 140 million more than in 1961 and above any year since 1923. U. S. and Puerto Rican factories produce all except a very small proportion of the cigars consumed by U. S. smokers; cigar imports probably will amount to less than one-half of 1 percent of the total. Cigars shipped to the U. S. mainland from Puerto Rican factories have risen sharply in the past 5 years and probably will account for 6 percent of total U. S. consumption in 1962. Since the February 1962 embargo on imports of cigars and tobacco from Cuba, the Philippine Republic has become the leading source of imported cigars. Cigars containing Cuban tobacco will continue to be available, as stocks of

Cuban tobacco stored in the United States prior to the embargo are still substantial. Use of Cuban tobacco continues to decline, but use of Colombian and Dominican tobaccos has risen sharply.

Output of smoking tobacco in 1962 is estimated at near 71 million pounds--about 3 million less than in 1961. The 1962 output of chewing tobacco may be close to the 65½ million pounds in 1961; snuff production is estimated at about 32 3/4 million pounds, about 3 percent below 1961.

Exports of unmanufactured tobacco in calendar 1962 are expected to be a little higher than the 501 million pounds (declared weight) in 1961. Rising world cigarette consumption and the high level of economic activity abroad favor U. S. tobacco exports. But competition from foreign producing areas is increasing and trade restrictions continue to hamper our exports. Of concern to U. S. growers are the United Kingdom's negotiations to become part of the European Common Market, because of terms that may apply to major tobacco producers in Commonwealth areas--Rhodesia - Nyasaland, Canada, and India.

The 1962-63 total supply of flue-cured--the leading cigarette and export tobacco--is 2 percent larger than for 1961-62. Domestic use in 1961-62 showed a small decline, but the increase in exports offset this to hold total disappearance about even with the preceding year. All except a small fraction of the 1962 flue-cured crop had been sold through early November, at an average of about 60 cents per pound, about 4 cents below last season's record high. Placements under Government loan were over 15 percent of total deliveries compared with about 5 percent the year before.

The 1962-63 total supply of burley--second ranking cigarette tobacco--is about 2 percent larger than for 1961-62. Domestic use increased 3 percent and exports by about a tenth in the 1961-62 marketing year. Burley markets will open November 27.

Total 1962-63 supplies of Maryland, and Pennsylvania and Ohio cigar filler are indicated to be larger than for 1961-62. The 1962-63 supplies of fire-cured, dark air-cured, Connecticut Valley cigar binder, and the shade-grown wrapper types are indicated to be smaller than for the preceding year. Little change is expected in 1962-63 total supplies of Virginia sun-cured and the combined Wisconsin cigar binder types.

Government price supports are mandatory for the kinds of tobacco produced under marketing quotas. The 1962 crop overall price support levels are up 1 percent from 1961. The overall levels of price support are adjusted for each year's crop according to the relationship between the recent 3-year average of the parity index and the 1959 parity index. The parity index is the index of prices paid by farmers, including interest, taxes, and farm wage rates. Available data indicate the overall price support levels in 1963 for each eligible kind of tobacco may be about 1 percent higher than in 1962.

The Secretary of Agriculture will announce the 1963 marketing quota and acreage allotment for flue-cured tobacco by December 1, 1962; for burley, fire-cured, dark air-cured, sun-cured, Maryland, and the eligible cigar tobaccos, 1963 quotas must be announced by February 1, 1963. Shortly after the announcements, referendums will be held in which growers of Maryland, cigar binder,

and Ohio filler tobacco will vote on marketing quotas for the 1963, 1964, and 1965 crops. Marketing quotas for 1963 crops of the other kinds were approved by growers in previous referendums.

Timber Products

As a result of the general increases in economic activity, consumption of timber products in 1962 is running moderately above that in 1961. Total consumption of all timber products is estimated at 12.1 billion cubic feet, 6 percent above consumption in 1961. Production of timber products from domestic forests is expected to amount to 10.5 billion cubic feet, about 0.5 billion cubic feet higher than 1961. Most of the rise in domestic production in 1962 is expected to come from increases in the output of sawlogs, pulpwood, and veneer logs.

In 1962, net imports of timber--including the roundwood equivalent of lumber, veneer, plywood, woodpulp, paper, and paperboard--are expected to amount to 1.5 billion cubic feet and compose about 12 percent of total wood consumption.

Stumpage prices of major timber species sold from the National forests showed different trends during the first half of 1962. Prices received from the sales of Douglas-fir stumpage were down from 1961, while those of sugar pine and ponderosa pine were up--substantially so in the case of ponderosa pine. Southern pine stumpage prices, however, showed little change from 1961 levels.

Lumber consumption in 1962 is expected to reach 36.6 billion board feet, 2.5 billion board feet more than in 1961. Softwood lumber consumption is estimated at 30.6 billion board feet and hardwood lumber at 6 billion board feet. These levels are 6 and 16 percent, respectively, above those of 1961.

Domestic lumber production in 1962 is expected to total 31.4 billion board feet, an increase of 4 percent over 1961. Production of softwood lumber is estimated at 26.2 billion board feet and hardwood lumber at 5.2 billion board feet--3 percent and 11 percent, respectively, above 1961.

Lumber shipments are showing larger gains than production this year. Current trends indicate that total shipments for the year will be 6 percent above 1961. Shipments of softwood lumber are expected to be up 5 percent and hardwood 15 percent.

The major softwood lumber species are showing different production trends in 1962 than a year earlier. Southern pine is making the largest production gain. At the end of the first week in September output was 8 percent above the first 8 months of 1961, according to the Southern Pine Association. Production in the Douglas-fir Region (largely Douglas-fir and western hemlock), however, was only 1.7 percent above 1961.

Lumber imports in 1962 are estimated at 4.9 billion board feet (4.6 billion board feet of softwoods and 0.3 billion board feet of hardwoods) and exports at 0.8 billion board feet. Net imports will thus amount to 4.1 billion board feet and compose about 11 percent of total lumber consumption (13 percent

of softwood consumption and 3 percent of hardwood consumption). In 1961, net imports were 3.5 billion board feet and accounted for 10 percent of total consumption. During the first half of 1962, the wholesale price index of lumber showed a small increase, rising from 94.0 in January to 98.0 in July (1957-59=100).

Pulpwood consumption in U. S. pulpmills in 1962 is estimated at 44.8 million cords. This represents a new high--6 percent above 1961 and 69 percent above the level 10 years ago. Production of round pulpwood from domestic forests in 1962 is estimated at 35.0 million cords, 10 percent above 1961. Production of pulpwood chips, largely from residues of sawmills and veneer mills, is expected to reach the equivalent of 9 million cords in 1962. This represents about a fifth of total pulpwood production and marks a new peak in a trend that has been steadily upward since 1944.

Softwoods are expected to compose about 77 percent of the total output of pulpwood and hardwoods 23 percent. In recent years, production of hardwood pulpwood has been increasing at an average annual rate of 11 percent--just double the 5.6 percent rate for softwoods. Round pulpwood prices in 1962 show little change from 1961 and 1960 levels.

Production of softwood veneer logs in 1962 is estimated at 4.4 billion board feet. This is about 0.5 billion board feet above 1961 and nearly double output 5 years ago. Douglas-fir is expected to compose about 90 percent of total output and ponderosa pine, larch, white pine, and other associated species 10 percent.

Naval Stores

Continued high level of domestic output coincident with reduced exports are expected to result in a 45 percent increase in rosin carryover next March 31. Prices of pale rosin grades are advancing moderately in the fall and are likely to continue advancing in the winter months. Next year's gum rosin prices will depend largely on the price support level. The turpentine market is expected to be firmer, with moderate price advances accompanying increased domestic and export requirements. The upward trend in U. S. turpentine carryovers may be interrupted next March 31. Turpentine prices may, on the whole, average higher in the crop year beginning next April 1 than in the current crop year.

Little change is expected in domestic production of rosin and turpentine during the 1962 crop year. An estimated 5 percent decrease in production of steam-distilled wood rosin should more than offset the expected 4 to 5 percent rise in gum and tall oil rosin output. On the other hand, increased gum and sulfate wood turpentine production may more than offset lower output of steam-distilled wood turpentine.

Domestic rosin consumption may not change much from the 1961 level. Export demand for modified rosins has been reduced and rosin use in surface coatings and printing inks has declined. Production of paper and board and S-type rubber and adhesives, the principal outlets for rosin, are rising this year.

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At current low price levels, domestic consumption of turpentine may approach the record level of 1950. The recent downward trend in turpentine consumption for industrial purposes appears to be reversing in 1962, because of increased use in synthetic pine oil and synthetic resin.

U. S. rosin exports this year are declining about 15 percent to the lowest level in 10 years. This reflects increased foreign supplies at lower prices. Because of near-record low prices and reduced foreign supplies, U. S. exports of turpentine are increasing in 1962 toward the highest level since 1956.

ERS PUBLISHES NEW MAGAZINE

The Farm INDEX, a new monthly magazine of the Economic Research Service, began publication in October.

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